

**Employees' Retirement System
of the State of Rhode Island**

**FIFTEENTH ANNUAL REPORT
OF THE
RETIREMENT BOARD**

For the Fiscal Year Ended

June 30, 1950

EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF
RHODE ISLAND

FIFTEENTH ANNUAL REPORT
of the
RETIREMENT BOARD

June 30, 1950

Issued by Authority of the
RETIREMENT BOARD OF THE EMPLOYEES'
RETIREMENT SYSTEM OF THE STATE OF
RHODE ISLAND

PROVIDENCE

STATE OF RHODE ISLAND

DENNIS J. ROBERTS

Governor

RETIREMENT BOARD

HON. RAYMOND H. HAWKSLEY, CHAIRMAN
General Treasurer
(ex officio)

JOSEPH M. BOISVERT
Woonsocket
(Term expires June 30, 1951)

CHARLES H. CUSHMAN
Director of Civil Service
(ex officio)

RUSSELL H. HANDY
Director of Finance
(ex officio)

THOMAS J. MEEHAN
Director of Business Regulation
(ex officio)

MICHAEL F. WALSH
Director of Education
(ex officio)

JAMES E. CONLON
Sup't, South Kingstown School Department
(Term expires March 1, 1954)

CHARLES W. HILL
Assistant Controller
(Term expires June 30, 1951)

JOSEPH B. LEWIS
Secretary

C O N T E N T S

	<u>Page</u>
LETTER OF TRANSMITTAL	11
REPORT OF RETIREMENT BOARD	1-16
FINANCIAL STATEMENTS	17-18
INVESTMENTS	19-23
REPORT OF THE ACTUARY	24-34
APPENDIX	35

* * * * *

March 15, 1951.

To His Excellency,
The Honorable Dennis J. Roberts,
Governor of the State
of Rhode Island,
Providence, R. I.

Sir:

On behalf of the Retirement Board of the
Employees Retirement System of the State of Rhode Island,
I take pleasure in submitting herewith, for transmittal
to the General Assembly, the FIFTEENTH ANNUAL REPORT of
the Retirement Board covering operations of the system
for the fiscal year ended June 30, 1950.

Respectfully submitted,

Chairman.

Employees Retirement System of the
State of Rhode Island

FIFTEENTH ANNUAL REPORT
of the
RETIREMENT BOARD

The Fifteenth Annual Report of the Retirement Board of the Employees Retirement System of the State of Rhode Island is presented herewith. This report sets forth the results of operations of the system for the fiscal year ended June 30, 1950, and its financial condition as of such date, supplemented by a report from the actuary on an actuarial valuation of the assets and liabilities of the system.

Membership

	<u>State Employees</u>	<u>Teachers</u>
Number of Members, July 1, 1949	4700	4407
<u>Additions during year</u>		
New members	<u>1552</u>	<u>57</u>
Aggregate membership	6252	4464
<u>Deductions</u>		
Retirements	20	137
Withdrawals with refund	502	28
Occupational deaths	--	--
Nonoccupational deaths	<u>42</u>	<u>12</u>
Total deductions	564	177
Number of Members, June 30, 1950	<u>5688</u>	<u>4287</u>

It should be noted that the total membership increased during the year from 9107 to 9975, or 868, which is equal to 9.5%.

Retirement roll

The number of beneficiaries of the system in receipt of benefit payments at the close of the year was 299 compared with 155 at the end of the preceding year. The increase amounted to 144 or 93%. The several types of beneficiaries and the amounts of annual payments are summarized.

<u>Type of Benefit</u>	<u>State Employees</u>		<u>Teachers</u>	
	<u>Number of Beneficiaries</u>	<u>Amount of Annual Payments</u>	<u>Number of Beneficiaries</u>	<u>Amount of Annual Payments</u>
Service Retirement -				
(a) Without optional selection	100	\$67,835.30	123	\$209,675.05
(b) Option 1	33	27,879.12	-	-
(c) Option 2	6	4,809.81	2	2,713.30
(d) Option 3	2	3,458.13	2	3,559.09
Beneficiaries of former retirants	4	2,065.10	-	-
Special widow's annuity	1	1,322.18	-	-
Accidental death benefit	2	772.75	-	-
Ordinary disability benefit	11	4,211.73	10	11,819.75
Accidental disability benefit	3	2,149.67	-	-
Totals	<u>162</u>	<u>\$114,503.79</u>	<u>137</u>	<u>\$227,767.19</u>

Results of Operations

Total income of the system for the year on an accrual basis amounted to \$2,618,371.23. This compares with the amount of \$1,173,518.00 for the preceding year indicating an increase in income of \$1,444,853.23.

The major part of this increase, totalling \$1,243,201.59 was due to contributions made by and on behalf of teacher members who were reflected in the income account of the system for the first time, since contributing membership of this group became operative at the beginning of this fiscal year. The remainder of the increase was due to a larger membership from State employment and increases in rates of salary.

Expenditures by the system for the several types of benefit payments reached a high level and amounted to \$461,332.38, compared with \$166,785.49 for the preceding year. The increase in payments was due principally to the benefit allowances made to teacher members as will be observed from the following statement:

Payments to Retired State Employees	\$193,776.89
Payments to Retired Teachers	251,236.94
Pension Increases	<u>16,318.55</u>
Total	<u><u>\$461,332.38</u></u>

Refunds to withdrawals from the system increased slightly during the year and amounted to \$132,717.77 which compares with the amount of \$128,558.18 for the preceding year. Considering the steady increase in membership and the rise in the contribution equities of the members, refund payments have been of reasonable amounts. As a proportion of the total amount in the annuity reserve account representing accumulated member contributions, which amount has had a steady and continuous rise in keeping with the continued operations of the system, such payments have actually been in a decreasing trend.

Included in the expenditures is an amount of \$75,058.46 representing a charge-off of premium and interest on investment purchases, resulting in total expenditures by the system for all purposes of \$669,108.61.

The excess of total income over expenditures was \$1,949,262.62 which was credited to the reserves of the system, increasing total reserves to \$6,707,250.53. These reserves are represented by the total equities of the members from member contributions of \$3,764,163.51, equal to 56.1%, and the reserve account representing contributions by the State and the cities and towns of \$2,943,087.02, equal to 43.9%.

Investments

Total investments of the system at the close of the year amounted to \$6,441,733.50 at par value for bonds and at cost value for bank stocks. These investments classified by types of security are summarized as follows:

<u>Type of Investment</u>	<u>Par Value of Cost</u>
United States Government	\$5,852,500.00
State of Rhode Island	1,000.00
Municipalities in Rhode Island	216,000.00
Municipalities of Canada	20,000.00
Public Utility, Railroad and Industrial Bonds	143,000.00
Bank Stocks	209,233.50
Total	<u><u>\$6,441,733.50</u></u>

The total income for the year on the average amount of investments owned was 2.86%.

The changes in the investment account during the year may be summarized as follows:

Investments at July 1, 1949	\$4,392,733.50
Purchases	2,124,000.00
	<hr/>
	\$6,516,733.50
	<hr/>
Sales	\$ 55,000.00
Redemptions	20,000.00
	<hr/>
	\$ 75,000.00
	<hr/>
Investments at June 30, 1950	\$6,441,733.50
	<hr/> <hr/>

The net increase in the investment account for the year was \$2,049,000.00.

The details on purchases and sales of securities are shown in the accompanying financial statements.

Legislation

1950 *Conner*
Eleven different Acts were approved at the 1950 session of the General Assembly of which four amended Chapter 18,

two amended the provisions of Chapter 2101, and the remainder consisted of special acts designed to provide special benefit allowances to former State employees. These acts are summarized in the appendix.

The board has previously expressed its disfavor with special acts providing allowances to State employees or former State employees outside of the retirement system on the ground that such allowances are discriminatory and result in an impairment of employee morale. The effect of such legislation is to modify or set aside the provisions of the Employees Retirement System which prescribes uniform standards, conditions and qualifications for all State employees. Any departure from these standards and conditions is opposed to a sound pension policy for the State government.

Appropriation 1950-1951

The amount appropriated by the State for the fiscal year beginning July 1, 1950, covering the requirements of State employees was \$562,500.00 and on account of teachers of the cities and towns, the sum of \$330,000.00, making a total appropriation of \$892,500.00.

Under House Act 686, approved May 12, 1949, the cities and towns whose teachers are participating in the system are required to make a contribution direct to the system "equal to one-half of the rate per cent determined by the retirement board of the total compensation of said teacher-members." Prior to this legislation, the total contribution on account of such members, including the share due from the cities and towns, was to be made by the State and the cities and towns were to reimburse the State for the amount advanced on their account.

The rate of contribution fixed by the retirement board as the obligation on account of teachers from the cities and towns under the prescribed method of financing, is 6% of salary, of which the State contributes one-half and the cities and towns contribute one-half. The contribution to be made to the system according to this rate is \$837,768.00, which is to be shared equally by the State and by the cities and towns. The State has made a contribution towards this obligation of the amount aforesaid. Each of the cities and towns is required to make a contribution equal to 3% of total salaries, which will result in a combined sum for all cities and towns equal to one-half of such amount.

Amendatory Legislation

During the year representatives of the Rhode Island Institute of Instruction met with the board to discuss possible clarifying and corrective amendments and some substantive changes to be made in Chapters 2101 and 2102. At the same time the board considered possible changes in Chapter 18 which would be necessary to maintain uniformity in basic provisions between the three acts. The following changes, among others, were considered by the board at such meeting:

1. The establishment of reciprocity of pension credit between Chapters 18 and 2101 in order that teachers transferring to State employment, or State employees entering teaching service, would be assured of continuity of pension credit in the retirement system.

2. Vesting in the retirement board the authority for the extension of service beyond the age of 70 years in the case of members becoming subject to compulsory retirement.

3. Establishing a death benefit in the case of retirants, this benefit to consist of the excess, if any, of the total member contributions at date of retirement, without

interest, over the total benefits paid, this benefit to be available only if a member has not selected any of the optional privileges prescribed by Chapter 18.

4. Include as members substitute teachers who serve at least three-quarters of the number of days that the public schools are required to be in session during a year, and provide coverage for nurse teachers.

5. Clarify the provision for outside service credit in the case of teachers, and provide for the payment of a higher contribution than 5% of salary for such service.

6. Allow prior service credit to former teachers who returned to service after July 1, 1949, provided they render a reasonable qualifying period of service following such reentry.

7. Revise the provisions governing leaves of absence or illness in the case of the teachers by eliminating the period of 3/4th's of a year as a measure of service credit and provide for a higher rate of contribution than 5% of salary for pension credit during such periods of leaves of absence.

8. Allow the accumulation of pension credit above

36 years up to a maximum of 45 years of service and establish uniformity in respect to this provision as between Chapter 18 and Chapter 2101.

Other clarifying and corrective amendments were discussed. The Chairman appointed as a committee to give further study to the specific proposals received by the board as well as any others that may be presented, the following:

Edward M. McEntee
Joseph Young,
Representing the Rhode Island
Institute of Instruction
Charles W. Hill,
Representing the State
Employees Association
Joseph M. Boisvert,
Member of the Retirement Board
Joseph B. Lewis,
Secretary of the Retirement Board

The Chairman indicated his choice of Charles W. Hill as Chairman of the committee, and asked A. A. Weinberg, Consulting Actuary, to serve as its technical advisor and to draft the necessary legislation to give effect to the findings of the committee.

Federal Social Security

Public Law No. 734, previously designated as H.R. 6000

providing for major changes in the Federal Social Security Act, became effective on August 28, 1950.

This law provides, among other things, for the extension of the old-age and survivors insurance provisions to employees of States and local governments. Public employees not covered by a State or local retirement or pension fund may be provided social security coverage beginning January 1, 1951, if included under an agreement made between the State and the social security administrator. No referendum among the employees is required by the federal law. Coverage is voluntary on the part of the State only.

The law continues to exclude public employees in positions covered by a State or local retirement or pension fund under the following specific mandatory exemption:

"No agreement with any State may be made applicable (either in the original agreement or by any modification thereof) to any service performed by employees as members of any coverage group in positions covered by a retirement system on the date such agreement is made applicable to such coverage group."

Under the above provisions, members of this system are fully exempt from coverage. Members of the system who withdraw therefrom before acquiring a vested right, are placed at a disadvantage by this exemption. If they leave the State

service at a future date and obtain employment covered by social security, their eligibility status and their average wage will be subject to determination according to a period dating from January 1, 1951, notwithstanding the fact that during a part of such period they were totally exempt from coverage because of membership in the Employees Retirement System. Such method of computation will operate to extend the period of time that such a person will be required to work under covered employment to qualify for a "fully insured status" when he finally comes under social security and will have the effect of producing a lower average wage for benefit computation purposes.

If a change is made in the law at a later date modifying the present exemption and making it possible to coordinate this system with federal social security, a plan of integration will be formulated and submitted to the retirement board providing for a combination of the best features of both plans. Until such a change occurs, nothing can be done and no action can be taken by the retirement board.

Recommendations

Chapter 18 provides that the annual report of the

retirement board "shall also embody such other data as may be of use in the advancement of knowledge concerning state employee pensions and any recommendations of the board for changes in the laws pertaining to the system."

During the year the board discussed several amendatory changes in the law. Certain clarifying amendments seem to be necessary, one dealing with the application of the term "earnable compensation" in the calculation of benefits in the case of teachers; another relating to the right of persons being retired for ordinary disability to select an optional form of benefit. The several amendatory changes discussed earlier in this report seem to be merited. The board concurs in such changes in principle but has referred the detailed study of the proposals to a representative committee for report and recommendation. These changes when finally approved will be embodied in a legislative bill which will bear the endorsement and recommendation of this board.

In the report for the preceding fiscal year, the board recommended that any major changes in the basic provisions which involved substantial obligations to the employer should be accompanied by larger member contributions. The board finds that the several proposed changes do not fall

into this category. While they are important and create certain rights and credits not now obtainable, the increase in obligations is of relatively small proportions and not of such character as to justify a higher rate of member contributions.

No substantive changes in the underlying plan of operation seem to be necessary other than the amendments referred to. The plan as revised in its basic provisions several years ago, upon recommendation of a legislative commission, is operating satisfactorily. It is equitable and well-balanced and is meeting fully and in an effective manner the requirements of the employees and of the State as an employer.

Conclusion

The results of operations as herein recorded evidence a satisfactory state of affairs. The efforts of the board will be directed, as in the past, to a further improvement

of the system to the end that it may continue to operate efficiently and effectively in fulfillment of its stated objectives.

Respectfully submitted,

Retirement Board, Employees' Retirement
System of the State of Rhode Island

Chairman

Secretary

Employees' Retirement System of the
State of Rhode Island

FINANCIAL BALANCE SHEET - JUNE 30, 1950

A S S E T S

Cash		\$ 265,517.03
Investments (par value):		
U.S. Government	\$5,852,500.00	
State of Rhode Island	1,000.00	
Municipalities in Rhode Island	216,000.00	
Municipalities of Canada	20,000.00	
Industrial Bonds	143,000.00	
Bank Stocks (at cost)	209,233.50	
		<u>\$6,441,733.50</u>
<u>Total Assets</u>		<u>\$6,707,250.53</u>

R E S E R V E S

Reserve for Special Pension Increases		\$ 1,922.66
Annuity Reserve Account -		
State Employees		3,190,965.47
Teachers		573,198.04
Contingency Reserve Account -		
State Employees		2,488,934.61
Teachers		452,229.75
<u>Total Reserves</u>		<u>\$6,707,250.53</u>

Employees' Retirement System of the
State of Rhode Island

Statement of Cash Receipts and Disbursements
for the Fiscal Year Ended June 30, 1950

Cash Balance July 1, 1949

\$ 365,254.41

Receipts:

State Contribution -		
Employees	\$540,000.00 ⁿ	
Teachers	330,000.00 ^x	
Cities and Towns Contribution -		
Teachers	330,000.00 ^x	
Member Contributions -		
Employees	662,067.60 ⁿ	
Teachers	583,201.59 ^x	
Contribution - Pension Increases	16,000.00	
Income on Investments	155,082.98 ⁻	
Sale of Investments	75,000.00	
Premium on Sale of Investments	<u>2,019.06⁻</u>	
 Total Receipts		\$ <u>2,693,371.23</u>
 Total Available		\$ 3,058,625.64

Disbursements:

Refunds due to resignations -		
State Employees	\$130,168.72 ⁿ	
Teachers	2,549.05 ^x	
Pensions Paid -		
State Employees	193,776.89 ⁿ	
Teachers	251,236.94 ^x	
Pension Increases	16,318.55	
Purchase of Investments	2,124,000.00	
Premium and Interest on Purchases	<u>75,058.46⁻</u>	
 Total Disbursements		\$ <u>2,793,108.61</u>
 <u>Cash Balance June 30, 1950</u>		\$ <u>265,517.03</u>

Employees' Retirement System of the
State of Rhode Island

Statement of Investments Owned
June 30, 1950

Description

Par Value

U.S. Government Bonds

U.S. Treasury Series G 2 $\frac{1}{8}$ %	due 8/1/54	\$50,000.00	
U.S. Treasury Series G 2 $\frac{1}{8}$ %	due 9/1/55	100,000.00	
U.S. Treasury Series G 2 $\frac{1}{8}$ %	due 2/1/56	10,000.00	
U.S. Treasury Series G 2 $\frac{1}{8}$ %	due 5/1/53	50,000.00	
U.S. Treasury Series G 2 $\frac{1}{8}$ %	due 11/1/54	50,000.00	
U.S. Treasury Series G 2 $\frac{1}{8}$ %	due 9/1/59	100,000.00	
U.S. Treasury Series G 2 $\frac{1}{8}$ %	due 7/1/61	750,000.00	
U.S. Treasury Series G 2 $\frac{1}{8}$ %	due 12/1/61	100,000.00	
U.S. Treasury Series G 2 $\frac{1}{8}$ %	due 3/1/62	100,000.00	
U.S. Treasury, 2 $\frac{1}{8}$ %	due 6/15/55-52	80,000.00	
U.S. Treasury, 2 $\frac{1}{8}$ %	due 6/15/56-54	50,000.00	
U.S. Treasury, 2 $\frac{1}{8}$ %	due 9/15/72-67	97,500.00	
U.S. Treasury, 2 $\frac{1}{8}$ %	due 6/15/72-67	3,150,000.00	
U.S. Treasury, 2 $\frac{1}{8}$ %	due 3/15/54-52	30,000.00	
U.S. Treasury, 2 $\frac{1}{8}$ %	due 3/15/58-56	30,000.00	
U.S. Treasury, 2 $\frac{1}{8}$ %	due 3/15/70-65	195,000.00	
U.S. Treasury, 2 $\frac{1}{8}$ %	due 12/15/69-64	100,000.00	
U.S. Treasury, 2 $\frac{1}{8}$ %	due 12/15/68-63	150,000.00	
U.S. Treasury, 2-3/4%	due 9/15/65-59	20,000.00	
U.S. Treasury, 2-3/4%	due 12/15/65-60	90,000.00	
U.S. Treasury, 2 $\frac{1}{8}$ %	due 3/15/71-66	250,000.00	
U.S. Treasury, 2 $\frac{1}{8}$ %	due 12/15/62	300,000.00	\$5,852,500.00

State of Rhode Island

State Office Building, Registered
4%, due 6/1/77

1,000.00

1,000.00

Statement of Investments Owned
June 30, 1950

Description

Par Value

Municipalities in Rhode Island

City of Central Falls, Funding 4%, due 4/1/65	\$3,000.00	
City of Central Falls, Sewer, 4½%, due 7/1/52	5,000.00	
East Smithfield Water District, 3-¾%, due 9/1/53	3,000.00	
Town of Narragansett, Beach Develop- ment, 3% due 4/1/63-69	20,000.00	
Town of North Providence, Sewer, 3%, due 9/1/67	35,000.00	
City of Pawtucket, Park, 2½%, due 7/1/60-61	20,000.00	
City of Pawtucket, Highway, 3½%, due 12/1/53-54	9,000.00	
City of Pawtucket, Sewer, 3½%, due 12/1/53-54	10,000.00	
City of Pawtucket, Water, 3½%, due 12/1/53-54	10,000.00	
City of Pawtucket, School, 4½%, due 5/1/54	10,000.00	
Town of Richmond, School, 4%, due 4/1/59-62	4,000.00	
Town of West Warwick, Sewer 2½%, due 7/1/58-71	28,000.00	
Town of West Warwick, School, 2-¾%, due 11/1/54-58	15,000.00	
Town of West Warwick, Sewer 2-¾%, due 2/1/63	15,000.00	
City of Woonsocket - Water, 4½%, due 6/1/66	5,000.00	
City of Warwick - Water, 4½%, due 10/1/72-73	<u>24,000.00</u>	\$ 216,000.00

Municipalities of Canada

Province of Quebec, Dominion of Canada, 3%, due 7/15/57	<u>20,000.00</u>	20,000.00
--	------------------	-----------

Statement of Investments Owned
June 30, 1950

<u>Description</u>	<u>Par Value</u>
<u>Public Utility, Railroad & Industrial</u>	
Appalachian Power Company, 1st Mortgage 3½%, due 12/1/70	\$20,000.00
Atchison, Topeka and Santa Fe Railway Company, General Mtge., 4%, due 10/1/95	10,000.00
Central Maine Power Company, General and 1st Mortgage, 3½%, due 10/1/70	18,000.00
Chesapeake and Ohio Railway Company, Mortgage, 3½%, due 8/1/96	9,000.00
Chicago Union Station, 1st Mortgage, Series F, 3-1/8%, due 7/1/63	10,000.00
Pennsylvania Railroad Co., General Mortgage, Series "A", 4½%, due 6/1/65	12,000.00
Phillips Petroleum Co., Sinking Fund Debentures, 2-3/4%, due 2/1/64	28,000.00
Pennsylvania Railroad Company, Equip't Trust Series "K", 2½%, due 7/1/55	20,000.00
Washington Water Power Company, First Mortgage, 3½%, due 6/1/64	16,000.00
	<u>\$143,000.00</u>

Bank Stocks

545 shs. Providence National Bank	40,251.00
655 shs. Industrial Trust Company, Providence	23,318.00
40 shs. Rhode Island Hospital Trust Company, Providence	4,600.00
480 shs. Bankers Trust Company - New York	19,150.00
100 shs. Central Hanover Bank and Trust Company, New York	9,050.00
400 shs. Chase National Bank - New York	11,237.50
500 shs. Chemical Bank & Trust Company, New York	16,642.00

Statement of Investments Owned
June 30, 1950

<u>Description</u>	<u>Par Value</u>
<u>Bank Stocks</u> (cont'd)	
15 shs. First National Bank - New York	\$24,125.00
80 shs. Guarantee Trust Company - New York	20,160.00
2,000 shs. Irving Trust Company - New York	21,750.00
400 shs. National City Bank - New York	9,175.00
100 shs. New York Trust Company - New York	<u>9,775.00</u>
	<u>\$ 209,233.50</u>
<u>5,315 shs.</u> <u>Totals</u>	<u>\$6,441,733.50</u>

Statement of Investments Purchased, Sold
and Redeemed During the Fiscal Year
Ended June 30, 1950

Purchases

<u>Description</u>	<u>Par Value</u>
U. S. Treasury 2½%, due 9/15/1972-67	\$1,900,000.00
U. S. Treasury 2½% Series "G", due 12/1/61	100,000.00
U. S. Treasury 2½% Series "G", due 3/1/62	100,000.00
City of Warwick 4½%, due 10/1/72-73	<u>24,000.00</u>
Total	<u>\$2,124,000.00</u>

Sales

<u>Description</u>	<u>Par Value</u>
Harbor Commissioners of Montreal, Canada, First Mtge. 5%, due 11/1/1969	\$ 20,000.00
Union Oil Co. of California debentures, 3%, due 11/1/67	20,000.00
East Smithfield Water District, 3-3/4%, due 9/1/53	3,000.00
Central Maine Power Co., First Mtge., 3½%, due 10/1/70	1,000.00
Kansas Power & Light, 1st Mtge., 3½%, due 7/1/69	10,000.00
Phillips Petroleum Co. Sinking Fund Debentures, 2-3/4%, due 2/1/64	<u>1,000.00</u>
Total	<u>\$ 55,000.00</u>

Redemptions

City of Woonsocket Sewer, 4½%, redeemed 6/1/50	<u>\$ 20,000.00</u>
---	---------------------

REPORT ON AN ACTUARIAL VALUATION OF THE
ASSETS AND LIABILITIES OF THE EMPLOYEES RETIREMENT SYSTEM
OF THE STATE OF RHODE ISLAND
AS OF JUNE 30, 1950

The results of an actuarial valuation of the assets and liabilities of the Employees Retirement System of the State of Rhode Island as of June 30, 1950, are presented herewith. The teacher-members who came into the system as of July 1, 1949, are included in this valuation for the first time.

Basis of Valuation

This valuation is based upon the benefit and contribution provisions of the plan of operation underlying the system as summarized in the appendix.

Statistical data

The statistics used in the preparation of this report and all financial data pertaining to the operations of the system were supplied by Joseph B. Lewis, Secretary, in the form required for this valuation. Membership statistics are summarized as follows:

	<u>State Employees</u>	<u>Teachers</u>	<u>Total</u>
Number of members	5688	4287	9975
Proportion of total	57.0%	43.0%	100.0%
Annual salaries	\$13,567,428.00	\$14,394,697.00	\$27,962,125.00
Average salary	\$2,385.00	\$3,357.00	\$2,803.00

Beneficiaries

Statistics on persons in receipt of benefit payments from the system as of June 30, 1950, are as follows:

	<u>State Employees</u>	<u>Teachers</u>	<u>Total</u>
Number of annuitants	162	137	299
Proportion of total	54.2%	45.8%	100.0%
Aggregate annual payments	\$114,503.79	\$227,767.19	\$342,270.98
Reserve liability	\$975,572.00	\$1,042,945.00	\$2,018,517.00

Valuation Balance Sheet

The accompanying valuation balance sheet presents the financial condition of the system from a technical standpoint, taking into account all accrued liabilities for service

previous to the date of valuation, and all prospective liabilities covering future membership service.

Total accrued liabilities amounted to \$27,026,175.00 and consisted of the following:

	<u>Amount</u>
Present value of annuities and benefits entered upon and in force	\$2,018,517.00
Reserve requirements for death and disability benefits	1,846,059.00
Present value of retirement benefits earned on account of "prior service"	17,879,800.00
Present value of retirement benefits accruing for "membership service"	<u>5,281,799.00</u>
Total	<u><u>\$27,026,175.00</u></u>

To meet these liabilities the system had net present assets at the close of the fiscal year amounting to \$6,707,250.53. The excess of total liabilities over net assets amounting to \$20,318,924.47 constitutes the actuarial reserve deficiency. This amount is a deferred obligation of the State of Rhode Island and of the cities and towns, to be discharged by future contributions to the system at the prescribed rates, under the applicable method of financing.

Prior service liabilities

The liabilities for service rendered by State employees prior to July 1, 1936 and by the teachers of the cities and towns prior to July 1, 1949 were as follows:

State Employees	\$ 1,691,081.00
Teachers	<u>16,188,719.00</u>
Total	<u>\$ 17,879,800.00</u>

These liabilities represent prior service credits granted to the employees and teachers in accordance with the provisions of law. They represent the proportionate amount of annuity credits earned by the members concerned during their respective periods of prior service.

Membership service liabilities

The accrued liabilities for membership service representing credits earned by the members towards their retirement allowances during service rendered after July 1, 1936, in the case of the State employees and after July 1, 1949, in the case of the teacher-members, to the date of valuation, were as follows:

State Employees	\$ 4,665,543.00
Teachers	<u>616,256.00</u>
Total	<u>\$ 5,281,799.00</u>

The liability for accrued membership service credits has been discharged partially by contributions made by the members during the period covered by these credits. The employer's share of the cost for such service will be discharged by future contributions.

The liabilities on account of pension credit for service subsequent to the date of valuation are as follows:

State Employees	\$ 6,791,342.00
Teachers	<u>7,559,244.00</u>
Total	<u>\$14,350,586.00</u>

The liability for future membership service is to be met by future contributions on the part of both the members and the employers.

Ordinary death benefit

This benefit constitutes group life insurance. The

amount of insurance coverage and the reserve requirements on account thereof are as follows:

	<u>State Employees</u>	<u>Teachers</u>	<u>Total</u>
Amount of insurance	\$6,101,062.00	\$3,583,163.00	\$9,684,225.00
Reserve requirements	741,139.00	392,276.00	1,133,415.00

The number of claims incurred during the year among state employees in respect to this benefit was 42 compared with 36 during the preceding year. This increase is explained by a larger membership in the system and by the extension of employment of aged members.

The number of claims arising in the teacher-member group was 12. No comparison could be made with experience during the preceding year because the year just ended represented the first year of membership of the teachers. The number of claim incidents among the teachers, however, would be at a reduced rate in keeping with the lower mortality rates among this group of workers.

Other benefits

The accidental death and disability benefit claims incurred by the system are below the normal expectancy in a

group of workers of the size represented in the system. The number of ordinary disability claims incurred during the year was likewise below the expected rate for the number of persons subject to this risk.

Withdrawal benefits

A total of 502 State employees and 28 teachers withdrew their contributions from the system during the year. This compares with 463 State employees who terminated their accounts in the system in the preceding year. The increase in refund payments was due principally to a larger membership in the system. Notwithstanding the larger individual equities in the annuity reserve accounts of the members, refund payments have remained at a fairly uniform level for a considerable period of time reflecting a condition of relative stability.

Federal Social Security

The new social security legislation affecting public employees may create some policy problems for the system. The operation of social security benefits for some public employees and the maintenance of local plans for others

may give rise to demands for the establishment of benefits with which either group may not be favored. It is difficult at the moment to visualize what form these demands may take but as they develop, a reasonable solution will be formulated.

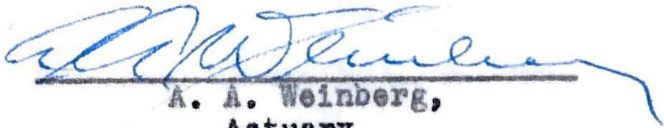
Public employees now covered by local retirement plans are excluded from social security coverage by a specific mandatory exemption. Integration of established local plans with social security is not now possible. A change in the federal law may occur in the future to permit such integration and at that time a practical plan of coordinating the two systems will be presented. Until this occurs, the system should continue to strengthen its position by maintaining a policy of providing coverage for the State employees, on an all-inclusive basis, in order that all employees of the State government may be granted retirement protection within the scope of its authority. The same principle should apply to the teacher group subject to membership in the system.

Conclusion

The system is continuing to make definite progress in

operations and is constantly improving its position. The increased obligations assumed on account of the teachers of the cities and towns who came into the system on July 1, 1949, will be covered by contributions by the teachers, the cities and towns and the State at the prescribed rates. A gradual reduction in these obligations should occur with continued operations. However, some revision in the employer's contribution rate may be required in 1957 upon termination of the ten-year period for which the present rate was established. This will be determined after further experience.

Respectfully submitted,


A. A. Weinberg,
Actuary.

Employees Retirement System of the
State of Rhode Island

VALUATION BALANCE SHEET - JUNE 30, 1950

A S S E T S

NET PRESENT ASSETS:

Cash	\$ 265,517.03
Investments	<u>6,441,733.50</u>
	<u>\$6,707,250.53</u>

DEFERRED ASSETS:

Obligation of members and of the employers for retirement benefits covering service of members after June 30, 1950, to be discharged by future contributions	14,350,586.00
--	---------------

ACTUARIAL RESERVE DEFICIENCY:

Deferred obligation of the employers -

Present value of accrued retirement benefits on account of prior service of members	\$17,879,800.00
---	-----------------

Present value of accrued retirement benefits on account of membership service	5,281,799.00
---	--------------

Present value of annuities and benefits entered upon and in force	2,018,517.00
---	--------------

Liability for disability and death benefits on active members	<u>1,846,059.00</u>
---	---------------------

\$27,026,175.00

LESS:

Contingent Reserve	\$2,943,087.02
--------------------	----------------

Members' Accumulated contributions	<u>3,764,163.51</u>
------------------------------------	---------------------

<u>6,707,250.53</u>	<u>20,318,924.47</u>
---------------------	----------------------

Total	<u><u>\$41,376,761.00</u></u>
-------	-------------------------------

Employees Retirement System of the
State of Rhode Island

VALUATION BALANCE SHEET - JUNE 30, 1950

L I A B I L I T I E S

Present value of annuities and benefits entered upon and in force		\$ 2,018,517.00
Present value of retirement benefits covering service of members subsequent to June 30, 1950 -		
State employees	\$6,739,753.00	
Teachers	<u>7,610,833.00</u>	14,350,586.00
Present value of retirement benefits accruing on account of service prior to July 1, 1950 -		
State employees	\$6,972,880.00	
Teachers	<u>16,188,719.00</u>	23,161,599.00
Liability on account of disability and death benefits on active members -		
Ordinary disability	\$ 312,852.00	
Ordinary death	1,133,415.00	
Accidental disability	210,334.00	
Accidental death	<u>189,458.00</u>	<u>1,846,059.00</u>
Total		<u>\$41,376,761.00</u>

A P P E N D I X

Employees Retirement System of the
State of Rhode Island

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS

In force June 30, 1950

B E N E F I T S

1. Service retirement allowance

Retirement is optional with a member upon attainment of the age of 60 years, provided he has at least 10 years of credited service.

In the case of a member withdrawing from service prior to the attainment of age 60, the right to a retirement benefit vests in full if his service is 10 years or more, and the retirement allowance will become available to the member upon attainment of age 60, provided he has not taken a refund of his contributions.

Retirement is compulsory upon attainment of the age of 70 years, subject to deferment until May 1st next succeeding attainment of such age upon approval of the Board. Further extensions thereafter are subject to approval of the General Assembly. This provision became operative January 1, 1948.

The service retirement allowance is equal to $1-2/3\%$ of average compensation*, multiplied by the number of years of total service, not to exceed 45 years, subject to a maximum of 75% of the rate of compensation at date of retirement.

* Average compensation means the average annual compensation earnable by a member during the five consecutive years with-
in his total service when such average was the highest.

2. Reversionary annuity

A member, upon retirement, has the option of receiving a lesser amount of service retirement allowance for himself and provide, on an actuarial equivalent basis, an annuity for a designated beneficiary to become payable upon his death, in accordance with the several optional privileges prescribed by the law.

3. Non-occupational disability benefit

This benefit is available to any member having at least 10 years of credited service. The benefit is equal to 90% of the amount of the service retirement allowance covering the period of total service of the member.

A member qualifying for this benefit but not having completed at least 15 years of service, is entitled to receive the benefit provided for 15 years of service. If the member first entered service after the age of 45 years, his benefit is limited to 90% of the rate of service retirement allowance for which he would qualify if he remained in service until the age of 60 years and retired at such age.

4. Occupational disability benefit

A member becoming disabled as the direct result of the performance of duty, is entitled to a benefit equal to 66-2/3% of his rate of compensation at the date of becoming eligible for this benefit.

5. Non-occupational death benefit

Upon death of a member while in service, from any cause other than occupational disability, his designated

beneficiary or the estate of the member is entitled to receive a refund of his accumulated contributions, including interest, together with an amount provided from State contributions equal to \$200.00 for each year of total service of the member. The payment from State contributions is subject to a minimum of \$500.00 and a maximum amount of \$2,000.00.

If the period of service of the member has been less than one year, the minimum benefit of \$500.00 is reduced by the difference between the amount of accumulated contributions that the member would have had at the end of one year of service had he continued to render service, and the amount of accumulated contributions actually credited at the date of death.

6. Occupational death benefit

Upon death of a member due to occupational causes, his accumulated contributions, including interest, are payable to such person having an insurable interest in his life as the member shall have designated, or if no such designation shall have been made or if the beneficiary is not alive, payment is to be made to the estate of the member.

In addition to the above payment, the surviving widow is entitled to a benefit equal to 50% of the member's salary at date of death. If no widow survives, or if death of the widow occurs or if the widow remarries before any child of the member has attained age 18, the 50% benefit is payable to the surviving child or children, until their attainment of age 18, or prior death. If there be no widow or child or minor children, the benefit is payable to a dependent father or mother for life.

7. Death benefit after retirement

Upon retirement a member may elect to receive a lesser service retirement allowance, and provide that

in the event of his death prior to the time he has received in payments on his service retirement allowance an amount equal to his accumulated contributions at the date of retirement (including interest), his designated beneficiary is entitled to receive the unabsorbed portion of such accumulated contributions. This privilege is optional with the member.

8. Refunds

A member, upon withdrawal from the State service, may receive a refund of his contributions to the System equal to the full amount of his contributions, plus interest on the amounts contributed by the member prior to July 1, 1947. No interest is payable on refunds representing amounts contributed by a member after July 1, 1947.

C O N T R I B U T I O N S

By members:

Members of the system are required to contribute at the rate of 5% of salary, which rate is uniform for all employees, both male and female.

By the State of Rhode Island:

The State of Rhode Island is obligated to make regular contributions to meet the cost of the various benefits after applying the amounts contributed by the members. These contributions are made by means of regular annual appropriations.

The contributions by the State for any one year consist of an amount equal to the computed average annual expenditures for the various purposes of the system, for the period of ten years next succeeding the fiscal year in question, after applying against these expenditures the amounts to be contributed by the members. A uniform rate is to be maintained under this method of determination for a period of ten years subsequent to July 1, 1947.

EXTENSION TO SCHOOL TEACHERS - MODIFICATIONS

Effective July 1, 1949, the system was extended to include teachers of the State schools and teachers of the several cities and towns of the State of Rhode Island.

All provisions of the system relating to State employees apply with equal force to such teachers. Prior service credit is extended to teachers covering the period prior to July 1, 1949.

Credit for a year of service is granted when a teacher has been employed at least three-fourths of the total number of days that constitute a full school year in the applicable city or town. Contributions for leaves of absence during any year may be made for the purpose of receiving a full year's pension credit under stated conditions.

Credit for teaching service in any of the public schools of the United States, outside of this State, and in any private schools or institutions not operated for profit is allowed upon payment of a contribution for such service equal to 5% of salary based upon the rate of salary in force at the time of entry into the school system in Rhode Island. Such credit is available, however, only if the outside service was rendered more than 15 years before retirement.

The minimum service retirement allowance in the case of a teacher having rendered at least 35 years of service is \$1,000.00 per year.

Any teacher having at least 20 years of credited service is assured of a minimum ordinary disability allowance (non-occupational) of \$800.00 per year.

All teachers are required to make contributions at a uniform rate of 5% of salary, regardless of age or sex. The cities and towns share with the State, on an equal basis, the remainder of the cost of financing the benefits payable to teachers of the cities and towns, after applying the amounts contributed by the teachers.

Employees Retirement System of the
State of Rhode Island

TABLE 1.

NUMBER OF MEMBERS AND TOTAL SALARIES AT JUNE 30, 1950
CLASSIFIED BY AGE

STATE EMPLOYEES - MALE

Age 6-30-50	Number of Members	Total Annual Salaries	Age 6-30-50	Number of Members	Total Annual Salaries
	2	\$2,880.00	51	90	\$233,740.00
17	6	8,880.00	52	105	271,643.00
18	9	15,160.00	53	86	211,786.00
19	20	34,816.00	54	87	228,075.00
20			55	91	230,101.00
21	15	25,992.00	56	104	269,613.00
22	15	26,856.00	57	92	244,829.00
23	40	74,568.00	58	92	242,990.00
24	38	76,856.00	59	77	197,102.00
25	45	92,258.00	60	73	192,494.00
26	65	133,313.00	61	58	144,520.00
27	52	112,172.00	62	66	165,046.00
28	50	106,319.00	63	53	134,506.00
29	50	107,303.00	64	47	123,177.00
30	64	137,342.00	65	38	84,349.00
31	56	134,720.00	66	48	117,902.00
32	53	133,611.00	67	30	63,860.00
33	59	151,086.00	68	42	97,273.00
34	58	134,412.00	69	45	107,127.00
35	60	158,557.00	70	38	87,580.00
36	56	150,111.00	71	25	62,915.00
37	67	181,482.00	72	21	49,795.00
38	96	267,422.00	73	15	33,460.00
39	86	223,988.00	74	8	25,692.00
40	75	213,083.00	75	10	18,482.00
41	77	206,159.00	76	5	8,520.00
42	94	256,342.00	77	3	5,840.00
43	91	275,972.00	78	2	4,680.00
44	97	275,692.00	79	-	-
45	90	249,534.00	80	4	6,101.00
46	91	272,100.00	81	1	1,872.00
47	92	257,091.00	82	1	3,000.00
48	85	225,793.00	83	1	700.00
49	67	198,908.00	84	1	300.00
50	94	271,530.00			
			Totals	3474	\$8,861,378.00

Employees Retirement System of the
State of Rhode Island

TABLE 2.

NUMBER OF MEMBERS AND TOTAL SALARIES AT JUNE 30, 1950
CLASSIFIED BY AGE

STATE EMPLOYEES - FEMALE

Age 6-30-50	Number of Members	Total Annual Salaries	Age 6-30-50	Number of Members	Total Annual Salaries
17	2	\$ 3,000.00	51	42	\$ 94,065.00
18	7	10,767.00	52	44	101,670.00
19	9	14,183.00	53	37	74,896.00
20	25	39,559.00	54	41	93,615.00
			55	49	102,717.00
21	33	52,999.00			
22	75	132,698.00	56	38	85,232.00
23	67	123,280.00	57	36	79,962.00
24	62	121,388.00	58	48	97,741.00
25	65	130,734.00	59	33	68,940.00
			60	32	72,548.00
26	51	93,774.00			
27	51	105,000.00	61	21	49,561.00
28	61	111,120.00	62	31	64,249.00
29	63	121,630.00	63	25	48,133.00
30	52	96,220.00	64	23	44,709.00
			65	23	44,774.00
31	47	90,087.00			
32	62	135,920.00	66	17	35,964.00
33	57	126,090.00	67	15	37,700.00
34	45	103,300.00	68	18	40,646.00
35	52	118,567.00	69	19	41,200.00
			70	14	31,406.00
36	41	88,160.00			
37	57	135,275.00	71	4	8,402.00
38	46	102,346.00	72	4	6,321.00
39	44	111,352.00	73	2	3,960.00
40	51	111,316.00	74	3	6,528.00
			75	1	1,800.00
41	46	105,914.00			
42	42	103,940.00	76	-	-
43	41	85,485.00	77	1	1,320.00
44	42	103,040.00			
45	47	126,090.00			
46	39	92,504.00			
47	50	101,175.00			
48	62	150,192.00			
49	46	100,530.00			
50	53	120,356.00			
			Totals	2214	\$4,706,050.00

Employees Retirement System of the
State of Rhode Island

TABLE 3.

NUMBER OF MEMBERS AND TOTAL SALARIES AT JUNE 30, 1950
CLASSIFIED BY AGE

TEACHERS - MALE

<u>Age</u> <u>6-30-50</u>	<u>Number</u> <u>of</u> <u>Members</u>	<u>Total</u> <u>Annual</u> <u>Salaries</u>	<u>Age</u> <u>6-30-50</u>	<u>Number</u> <u>of</u> <u>Members</u>	<u>Total</u> <u>Annual</u> <u>Salaries</u>
	1	\$ 2,350.00	51	22	\$ 96,700.00
21	2	4,700.00	52	14	60,540.00
22	5	11,600.00	53	28	125,639.00
23	4	8,800.00	54	19	84,949.00
24	11	25,525.00	55	16	59,667.00
25					
26	17	39,796.00	56	13	60,800.00
27	14	37,200.00	57	12	51,100.00
28	20	51,310.00	58	13	61,487.00
29	23	64,510.00	59	9	37,000.00
30	21	62,070.00	60	12	52,705.00
31	28	82,440.00	61	10	45,200.00
32	27	81,660.00	62	9	38,490.00
33	20	65,170.00	63	10	45,528.00
34	21	66,853.00	64	11	50,825.00
35	30	99,650.00	65	4	19,200.00
36	31	105,228.00	66	7	31,625.00
37	27	96,950.00	67	3	15,130.00
38	41	142,000.00	68	10	46,025.00
39	42	156,800.00	69	1	4,200.00
40	38	138,930.00	70	4	15,563.00
41	35	132,030.00	71	3	13,163.00
42	30	123,850.00	72	2	12,515.00
43	30	114,180.00			
44	30	122,966.00	78	2	8,637.00
45	22	88,076.00			
46	37	158,362.00			
47	31	126,985.00			
48	33	135,000.00			
49	27	114,010.00			
50	21	86,838.00			
			Totals	953	\$3,582,527.00

Employees Retirement System of the
State of Rhode Island

TABLE 4.

NUMBER OF MEMBERS AND TOTAL SALARIES AT JUNE 30, 1950
CLASSIFIED BY AGE

TEACHERS - FEMALE

<u>Age</u> <u>6-30-50</u>	<u>Number</u> <u>of</u> <u>Members</u>	<u>Total</u> <u>Annual</u> <u>Salaries</u>	<u>Age</u> <u>6-30-50</u>	<u>Number</u> <u>of</u> <u>Members</u>	<u>Total</u> <u>Annual</u> <u>Salaries</u>
21	8	\$17,200.00	51	79	\$263,709.00
22	44	96,200.00	52	74	258,711.00
23	116	262,911.00	53	84	288,616.00
24	102	246,112.00	54	92	321,715.00
25	70	168,681.00	55	83	295,981.00
26	58	149,428.00	56	71	256,980.00
27	58	154,804.00	57	67	241,576.00
28	45	125,270.00	58	62	228,846.00
29	52	144,366.00	59	73	268,538.00
30	50	144,072.00	60	69	254,157.00
31	37	106,720.00	61	49	181,626.00
32	54	158,641.00	62	48	175,002.00
33	63	190,026.00	63	50	183,935.00
34	40	117,666.00	64	46	159,575.00
35	45	137,745.00	65	33	120,333.00
36	50	152,680.00	66	29	101,279.00
37	62	198,740.00	67	33	122,987.00
38	52	170,854.00	68	31	117,700.00
39	72	231,395.00	69	25	90,250.00
40	87	281,250.00	70	26	99,186.00
41	113	371,465.00	71	22	77,814.00
42	99	326,882.00	72	10	33,490.00
43	124	414,886.00	73	4	13,600.00
44	104	351,058.00	74	4	12,700.00
45	104	351,552.00	75	2	7,200.00
46	101	349,107.00	76	2	7,150.00
47	103	350,892.00	77	-	-
48	96	322,933.00	78	2	7,050.00
49	66	226,720.00	79	2	7,200.00
50	85	287,308.00	80	2	7,700.00
				<u>Totals</u>	<u>3334</u> <u>\$10,812,170.00</u>

Employees Retirement System of the
State of Rhode Island

Acts amending Chapter 18

House Act 621. Amended Section 9 to extend period for pension credit from 36 to 45 years, and increased maximum retirement allowance from 60% to 75% of the rate of compensation at date of retirement.

House Act 915. Amended subdivision (2) of Section 9, striking the limitation on the retirement allowance of 60% of the rate of compensation of the member at date of retirement, and substituting in lieu thereof a limitation of 60% of average compensation.

Senate Act 115. Amended subdivision (8) of Section 8, granting credit to members of the general assembly for periods of service rendered as such member prior to the date of becoming a member of the system.

Senate Act 214. Amended subdivision (4) of Section 7, giving any State employee in service who is a member of the system, who failed to become a member on the date of establishment, the right to elect to have his period of membership service made retroactive to the date when he first entered State service, provided he files an application prior to December 31, 1950, and makes a contribution equal to the amount he would have contributed had he become a member when he entered service, including interest at the established rates.

Acts affecting teacher members

House Act 915. Amended subdivision (5) of Section 4 of Chapter 2101 striking the limitation on the retirement allowance of 60% of the rate of compensation of the member at date of retirement and substituting in lieu thereof a limitation of 60% of average compensation.

House Act 858. Amended Section 4 of Chapter 2101, removing the limitation on the combined payments from the Employees Retirement System and from any retirement system maintained by any city or town, of 75% of the rate of compensation of the member at date of retirement.

Special Acts

Senate Act 378. Extended employment in State service of 116 employees aged 70 years or over who are subject to compulsory retirement.

Senate Act 391. Provided that any classified employee entitled to a service retirement allowance shall be paid the minimum amount of allowance pending the adjudication by the retirement board of his application for disability retirement benefit for which he has filed application.

House Bill 517. Appropriated \$1,650.00 for the purpose of continuing from May 1, 1950 to May 1, 1951, the retirement allowance payments to Christopher M. Dunn, former State employee, in accordance with an authorization made by Chapter 928 of the public laws of 1940.

House Act 841. Appropriated \$1120.00 to make retirement payments to Domenico Santo, former State employee, for the period from October 1, 1949 to June 30, 1951, since this employee, having had less than 10 years of service, could not qualify for benefits from the Employees Retirement System.

Senate Act 154. Appropriated \$4,200.00 to provide retirement payments to Lafayette M. Roderick, former State employee, who rendered more than 27 years of service as deputy sheriff but was not eligible for retirement benefits from the Employees Retirement System.

Senate Act 380. Appropriated \$500.00 to provide retirement payments to John Coughlin, former State employee at the Rhode Island veterans' home.