

Employees' Retirement System of the  
State of Rhode Island

A N N U A L   R E P O R T

of the

R E T I R E M E N T   B O A R D

For the Fiscal Year Ended

June 30, 1965

RETIREMENT BOARD

HON. RAYMOND H. HAWKSLEY, Chairman  
General Treasurer

G. ALDEN WINTER  
Warwick

HON. FRANCIS P. SMITH  
Chairman, Senate Finance Committee

HON. MICHAEL SEPE  
Chairman, House Finance Committee

JOSEPH H. O'DONNELL  
Director of Administration

ROBERT M. SCHACHT  
Director of Business Regulation

DR. WILLIAM P. ROBINSON  
Commissioner of Education

JAMES E. CONLON  
Sup't. South Kingstown School Department

CHARLES W. HILL  
State Controller

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JOSEPH G. IANNELLI  
Executive Secretary

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March 31, 1966

To His Excellency  
the Honorable John H. Chafee  
Governor, State of Rhode Island  
and Providence Plantations  
Providence, Rhode Island

Sir:

I take pleasure in submitting herewith for transmittal to the General Assembly, the Annual Report of the Retirement Board of the Employees' Retirement System of the State of Rhode Island for the fiscal year ended June 30, 1965.

Respectfully submitted,

Raymond H. Hawksley  
Chairman

SUMMARY OF FINANCIAL AND STATISTICAL FACTS

<u>At Year-End</u>	<u>Fiscal Year Ended June 30</u>	
	<u>1965</u>	<u>1964</u>
Reserves (Net Assets)	\$74,757,006	\$67,164,716
Number of Members -		
State Employees	11,716	11,541
Teachers	8,153	7,783
Number of Beneficiaries -		
State Employees	1,303	1,112
Teachers	1,083	995
Unfunded Accrued Liability -		
State Employees	32,921,317	30,189,200
Teachers	67,457,744	63,004,266
<u>For the Year</u>		
Total Revenue	\$14,394,004	\$13,160,087
Total Expenditures	6,896,024	6,013,619
Member Contributions	5,893,046	5,282,532
State Contributions	3,807,821	3,724,164
Contributions by Cities & Towns	1,972,955	1,844,867
Investment Income	2,711,573	2,300,366
Pension and Benefit Payments	5,838,335	4,783,699
Refunds to Withdrawing Members	1,045,311	902,569
Number of retirements	282	306
Deaths among retirants	131	89
Deaths among members	105	107
Number of Separations from Service	1,542	1,363

Employees' Retirement System of the  
State of Rhode Island

ANNUAL REPORT OF THE RETIREMENT BOARD  
FOR THE FISCAL YEAR ENDED JUNE 30, 1965

The annual report of the Retirement Board of the Employees' Retirement System of the State of Rhode Island for the fiscal year ended June 30, 1965 is presented herewith. This report records the results of operations for the year and the financial condition of the system at the end of the year.

A report on an actuarial valuation of the system is presented in the latter part hereof giving the results of an actuarial valuation of the assets and liabilities of the system under the prescribed benefit schedule.

MEMBERSHIP

Membership of the system increased during the year in keeping with the trend in State employment. A similar increase occurred among teacher-members. A summary of changes in active membership is as follows:

	<u>State Employees</u>		<u>Teachers</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Totals at July 1, 1964	6,518	5,023	2,643	5,140
Additions during the year	<u>744</u>	<u>566</u>	<u>286</u>	<u>773</u>
Totals	7,262	5,589	2,929	5,913
Withdrawals and retirements	<u>651</u>	<u>484</u>	<u>136</u>	<u>553</u>
Totals at June 30, 1965	<u>6,611</u>	<u>5,105</u>	<u>2,793</u>	<u>5,360</u>

The number of beneficiaries are steadily increasing with continued operations of the system. The changes in this group of participants are indicated as follows:

	<u>State Employees</u>		<u>Teachers</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
Totals at July 1, 1964	681	431	166	829
Additions during the year	<u>92</u>	<u>61</u>	<u>29</u>	<u>99</u>
Totals	773	492	195	928
Deductions - deaths	<u>55</u>	<u>25</u>	<u>5</u>	<u>36</u>
Totals at June 30, 1965	<u>718</u>	<u>467</u>	<u>190</u>	<u>892</u>

#### RESULTS OF FINANCIAL OPERATIONS

The system experienced the usual increase in total reserves although at a somewhat lower level than is required. The reserves at June 30, 1965 totalled \$74,757,006.00 compared with \$67,164,716.00, being an increase for the year of \$7,592,290.00. This increase is represented by the excess of total revenues over total expenditures for the year plus end of the year investment adjustments of \$94,310.00.

Notwithstanding the materially larger financial requirements of the system under the established method of funding, the increase in reserves for the year approximated the amount of increase that occurred in the preceding fiscal year.

FINANCING THE SYSTEM'S OBLIGATIONS

The employer's share of the cost of the benefits provided by the system is to be derived according to a partial funded basis. It consists of a rate per cent of payroll for each year based upon the projected requirements for benefit payments for a period of 19 years after applying the contributions made by the employees. The percentage rate computed in 1957 for a 10-year period subsequent to that year, in accordance with the law, was fixed at 5% as recommended by the actuary.

The application of this rate to estimated payrolls resulted in small variations in prior years until two years ago when a change in policy occurred in the application of this rate by the State. This change has created considerable larger variations from the required amounts of appropriations by the system to which attention of the State officials has been directed by the Retirement Board.

In view of the partial method of funding which has the effect of constantly increasing the unfunded accrued liability, it is of utmost importance that the prescribed method be adhered to strictly in order to avoid unnecessary and unwarranted impairments in the financial condition of the system.



INVESTMENT OPERATIONS

Investment operations for the year have been very satisfactory. The policy previously established for the system was continued during the year. This policy calls for diversity in the investment of the reserves in the several types of securities authorized by law to the extent of maximizing investment income and taking full advantage of investment opportunities within reasonable limitations.

The State of Rhode Island was among the first to recognize the merits of common stock investments as an important and productive type of security for a public employee retirement system. A retirement system involves long term obligations. The growth aspects of American industry, therefore, make the stocks of well-seasoned corporations unusually attractive as an investment media for these systems. Under the policy previously established, a well diversified list of common stocks was acquired over the years. A number of these were sold from time to time at prices substantially above their cost. A considerable amount of appreciation exists in the value of the stocks presently in the investment account of the system at this time.

Income from investments approximates 19% of total revenues. This test, however, is not a true index of investment performance. Gains realized on investment sales and the appreciation in the value of the common stocks presently owned are not reflected in current

investment operations. For example, during the year under review securities have been sold at a realized capital gain of \$22,286,79. At the close of the year, common stocks and mutual fund investments had a market value equal to 40.9% in excess of cost. This unrealized gain amounted to \$7,139,696.00. A summary of the investments of the system by type of securities is given below.

	<u>Cost or Par</u>	<u>% of Total</u>
U. S. Governments	\$23,546,500.00	31.7%
Consolidated Federal Farm Loan	900,000.00	1.3
International Bank	500,000.00	0.7
Certificates of Deposit	4,600,000.00	6.2
Commercial Paper	500,000.00	0.7
State - Municipal	2,122,000.00	2.9
Railroad Bonds & Equipment Trusts	3,663,000.00	4.9
Public Utility Bonds & Debentures	14,523,000.00	19.5
Other Bonds and Debentures	5,970,000.00	8.0
Preferred Stocks	582,827.90	0.7
Common Stocks	16,826,618.49	22.6
Mutual Funds	<u>623,290.16</u>	<u>0.8</u>
Total	<u>\$74,357,236.55</u>	<u>100.0%</u>

Note 1. Bonds and debentures listed at par value over-the-counter and mutual bid price 6-30-65. Common stocks listed on N.Y. and American Exchange closing price at 6-30-65.

Note 2. Market value of Common Stocks and Mutual Fund securities at June 30, 1965 was 40.9% in excess of cost - Excess was \$7,139,696.00.

LEGISLATION

The following amendments to Title 36 were enacted at the January, 1965, session of the General Assembly.

Chapter 56. Retroactive pension credit was granted to a member of the general assembly for previous continuous service as a member who failed to join the system at the commencement of his service in the general assembly, or otherwise failed to apply for credit for such legislative service. Credit is conditioned upon a member making the appropriate contributions plus interest.

Chapter 400. The accumulated contributions of active members having less than 10 years of service who have been separated from service for 5 years or more is to be transferred from the annuity savings reserve to the general reserve of the system for State employees or teacher members as the case may be. Should the member again become a State employee, the amount of the account would be revived, or should an application be made by the member or his heirs for a refund, payment would be made.

Chapter 229. The provisions governing prior service credit, i.e. credit for service before July 1, 1936, were revised to allow such credit in the case of a member who elected not to join the system at that time but who became a member at a subsequent date.

Chapter 231. Contributions by members of the general assembly are fixed at 20% of compensation.

No amendments to Title 16 affecting teachers of the cities and towns of the State were made at the 1965 regular session of the General Assembly.

#### STATE APPROPRIATIONS

As previously explained, the appropriations by the employer to the Employees' Retirement System consists of a rate per cent of payroll reflecting a projection of the requirements for expenditures by the system after crediting the amounts contributed by the members. The percentage is to be applied to the estimated payment for personal services to the members of the system covered by the budget for the year in question. The rate of contribution in force is 5%.

The appropriations budgeted for the system for the ensuing year is given below with the amount for the year covered by this report given for comparison.

	<u>1965-1966</u> <u>Fiscal Year</u>	<u>1964-1965</u> <u>Fiscal Year</u>
<u>State Employees</u>		
5% of assumed payroll for personal service of the members of the system for the year covered by the budget	\$2,386,604.00	\$2,450,000.00
<u>Teachers</u>		
Normal Requirements - 3-1/2% of assumed payroll of teacher-members of the cities and towns of the State	\$1,531,160.00	\$1,480,000.00

The requirements of the system on account of teacher-members are shared equally by the State and the cities and towns of the State. The total rate of contribution is 7% of payroll.

ANNUAL ACTUARIAL VALUATION

As required by law, an actuarial valuation of the assets, liabilities and reserves of the system was completed as of June 30, 1965. The results are reported in the accompanying statement by the actuary which follows this report of the Retirement Board.

The report of the actuary discloses that the unfunded accrued liability has increased during the year from \$93,193,466.00 to \$100,379,061.00, or \$7,185,595.00. This increase was due to the financing of the system's accruing obligations according to a

partial funded basis. Besides the inadequacy of the partial funded method in meeting the accruing current service cost, there is an additional amount representing the interest accrual on the unfunded accrued liability at the end of the preceding fiscal year at 3-1/2% per annum. The two amounts, as explained by the actuary, account for the aforesaid amount of increase in the unfunded accrued liability for the year at June 30, 1965.

#### CONCLUSION

Attention is again directed to the undesirable proposals for special or preferential legislation affecting certain individuals or small segments of the membership of the system. These proposals frequently involve large and indeterminate obligations for the long term. Special provisions of this type are at variance with the standards underlying the plan of operation of the system and are decidedly objectionable from every standpoint of principle and policy. They are in violation of the personnel objectives which is the principle motivation for the operation of the system. Such proposals should be discouraged and rejected.

The efforts of the Board are being constantly directed towards the maintenance of a condition of financial security and stability for the retirement system consistent with recognized principles

and the efficient administration of the system in fulfillment  
of its basic purposes.

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

RAYMOND H. HAWKSLEY, Chairman

G. ALDEN WINTER

FRANCIS P. SMITH

MICHAEL SEPE

JOSEPH H. O'DONNELL

ROBERT M. SCHACHT

DR. WILLIAM P. ROBINSON

JAMES E. CONLON

CHARLES W. HILL

JOSEPH G. IANNELLI  
Executive Secretary

REPORT OF THE ACTUARY ON AN ACTUARIAL VALUATION  
OF THE SYSTEM AS OF JUNE 30, 1965

An actuarial valuation of the Employees' Retirement System of the State of Rhode Island was completed as of June 30, 1965. The purpose of this valuation was to establish the liabilities and reserve requirements for the accrued and prospective pension credits under the prescribed benefit schedule. The true financial condition of the system is determined by means of such valuation. An actuarial or valuation balance sheet is prepared to reflect the results of the valuation showing all accrued and prospective liabilities and the present and prospective assets to meet these liabilities.

Because of the long-term character of the pension accumulation period, as well as the period of payment of the pension, a forecast of the future must be made based upon an extended period of operations covering the particular group of members comprising the system subject to valuation. Short term fluctuations or transitory factors must be disregarded in this process except to the extent that they affect certain benefits of a current operating character.

In an actuarial valuation a determination is made of the liabilities incurred for the several benefit obligations and the reserves required to meet these accrued liabilities for the lifetime of the



members. The factors of mortality, turnover and interest are basic in such calculations. Other factors are also prominent in actuarial procedure including rates of salary and their progression until maturity of the obligations, interest earnings, disability incidents and ages at retirement.

Rates reflecting these basic factors were formulated in prior years based upon a survey and investigation of the past operating experience of the system. Separate rates were established for State employees and teacher members. A further division was made between male and female members to give effect to the diverse physiological conditions and employment characteristics affecting the two sexes. Some variations from these established standards frequently occur in current operations. These are taken into account by means of an adjustment of the final results of the valuation following the application of the basic factors.

MEMBERSHIP STATISTICS

A variety of statistics was compiled for this actuarial valuation and tabulated in the required form. These statistics formed the basis of the valuation. A summary thereof is presented below.

<u>ACTIVE MEMBERS</u>	<u>State Employees</u>		<u>Teachers</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
1. Number	6,611	5,105	2,793	5,360
2. Per cent of total	58.4%	41.6%	34.3%	65.7%

	<u>State Employees</u>		<u>Teachers</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
3. Annual salaries	\$34,192,092	\$20,610,137	\$16,248,837	\$30,336,086
4. Average annual salary	\$5,172	\$4,037	\$5,818	\$5,660
5. Average age	45.1	43.0	39.6	43.7
6. Average service	7.8	7.3	9.9	13.6
7. New entrants during year	744	566	286	773
8. Average age of new entrants	35.0	32.0	27.4	26.3
9. Separations with refunds	559	423	107	453
10. Age at separation	38.2	33.3	34.0	28.9
11. Service at separation	3.8	3.1	4.6	3.0

RETIREMENTS

1. Number	718	467	190	892
2. Per cent of total	60.6%	39.4%	17.6%	82.4%
3. Retirements during year	92	61	29	99
4. Terminations	55	25	5	36
5. Average age of retirement for service	65.1	64.5	63.8	64.3
6. Average age at death - service retirements	72.0	75.9	71.0	75.8

BASIS OF VALUATION

The benefit and contribution provisions forming the basis of this valuation are summarized in the appendix. The rate of interest assumption was 3-1/2% per annum. The actuarial functions used were those previously established for the system in the last actuarial survey and investigation of its operating experience.

RESULTS OF VALUATION

A test of progress in the operation of any retirement system is measurable by the extent to which coverage has been provided for the accrued liabilities for earned pension credits in comparison with any prior operating period. This assumes that the system is fully funded, that is, the accruing pension credits are financed currently, in full measure, and that the unfunded accrued liability is being systematically amortized. Pension liabilities represent discounted sums which include the interest factor, therefore the liabilities for prior years accrue currently at interest at the established rate.

The Employees' Retirement System is subject to partial funding of its liabilities. Contributions by the employer represent the average annual requirements for benefits according to a 10-year projection of payments by the system. The rate per cent of contributions established in 1957, which was the last computation date, was 5% of salaries. Since partial funding results in a

continuous deferment of the remainder of the incurred accruing cost, the unfunded accrued liability has been in a steady and persistent upward trend.

In the case of the Employees' Retirement System, operations for the 1965 fiscal year disclosed an increase in the unfunded accrued liability amounting to \$7,185,595.00. This increase is reconciled as follows:

Interest accrual at $3\frac{1}{2}\%$ on the unfunded accrued liability at June 30, 1964	\$3,261,771.00
Deficiency in current service requirements for the 1964-1965 fiscal year	<u>3,923,824.00</u>
Total	<u>\$7,185,595.00</u>

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

State employees	8.5%
Teachers	10.1
Combined	9.2%

A slight decrease in the full funded cost has occurred during the year principally to separations from service with refund above the expectancy according to rates established in our previous survey.

The aforesaid rate applied to a total payroll for the year for both State employees and teacher members produces a current service cost of \$9,327,617.00. This amount may be reconciled with the deficiency in current service allocations for the year assuming full funding of cost as follows:

Employer's current service cost		\$9,327,617.00
Appropriations for the 1964-1965 fiscal year -		
State employees	\$2,450,000.00	
Teachers	1,480,000.00	
Requirements from cities and towns	<u>1,480,000.00</u>	<u>5,410,000.00</u>
Difference		<u>\$3,917,617.00</u>

The small difference between the foregoing amount and the actual deficiency of \$3,923,824.00 is due to the several variables involved in the calculation of actuarial costs and liabilities.

VALUATION BALANCE SHEET

The Valuation Balance Sheet presented in the following pages displays the financial condition of the system at June 30, 1965. A retirement system is considered to be in a sound financial condition from the actuarial standpoint when its present assets are equal to the difference between (a) the total of all accrued and prospective liabilities, and (b) the present value of future

contributions to be received by the system. A system attaining this status will have provided for all actuarial reserve requirements.

VALUATION BALANCE SHEET - JUNE 30, 1965

Statement of Assets, Liabilities and Reserves

A S S E T S

NET PRESENT ASSETS:

Cash		\$ 405,414.00
Investments	( LISTING OF INV. ON PAGE 38 )	74,357,236.00 *

DEFERRED ASSETS:

Present value of future service credits on account of service subsequent to July 1, 1965

State employees -		
Members	\$ 8,301,172.00	
State of Rhode Island	14,610,059.00	
Teachers -		
Members	9,862,742.00	
State of Rhode Island	7,984,333.00	
Cities and Towns	<u>7,984,333.00</u>	48,742,639.00

UNFUNDED ACCRUED LIABILITY:

Due from employers for unfunded accrued pension credits

State of Rhode Island	\$65,340,039.00	
Cities and Towns <sup>1/</sup>	<u>35,039,022.00</u>	<u>100,379,061.00</u>
<u>TOTAL ASSETS</u>		<u>\$223,884,350.00</u>

<sup>1/</sup> The State of Rhode Island and the cities and towns share equally in the cost of teachers' pensions.

VALUATION BALANCE SHEET - JUNE 30, 1965

Statement of Assets, Liabilities and Reserves

LIABILITIES AND RESERVES

FUTURE SERVICE LIABILITY:

Present value of future service pension credits -		
State employees	\$22,104,213.00	
Teacher members	<u>26,638,426.00</u>	\$ 48,742,639.00

RESERVE REQUIREMENTS:

RESERVE FOR MEMBER CONTRIBUTIONS -

<u>State Employees -</u>		
For service retirement and disability annuities	\$ 7,847,360.00	
For future refunds	<u>8,969,287.00</u>	16,816,655.00

Teacher Members -

For service retirement and disability annuities	\$12,288,518.00	
For future refunds	<u>6,168,654.00</u>	18,457,172.00

RESERVE FOR SURVIVOR BENEFITS 599,586.00

RESERVE FOR EMPLOYER CONTRIBUTIONS -

For service retirement and disability annuities on active members -		
State Employees -		
Total requirements	\$39,322,484.00	
Employee contributions	<u>7,847,360.00</u>	31,475,116.00

Teacher Members -

Total requirements	\$74,158,087.00	
Employee contributions	<u>12,288,518.00</u>	61,869,569.00

RETIREMENT AND BENEFITS RESERVE -

State Employees -		
Service retirement	\$15,108,388.00	
Disability and other	<u>1,118,537.00</u>	16,226,925.00

Teacher Members -

Service retirement	\$28,330,030.00	
Disability and other	<u>1,366,658.00</u>	<u>29,696,688.00</u>

TOTAL LIABILITIES AND RESERVES \$223,884,350.00



The following explanation of the several items comprising the assets, liabilities and reserves of the system is given to facilitate an understanding of their function and meaning.

Present Assets require no explanation since they comprise the assets on hand as taken from a report of the accountant of the system.

Deferred Assets consist of the obligations of the members and the employers for service to be rendered subsequent to June 30, 1965. They represent discounted amounts, actuarially determined, giving effect to the factors of mortality, interest, turnover and others that enter into the computation of liabilities for annuities and benefits accruing on account of future service.

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

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

Reserve for Members' Contributions consists of the amounts of the members contribution credits at the balance sheet date. Part of

these credits are subject to refund in future years on account of resignation, dismissal or death, actuarially determined, and part are available to finance a portion of the annuities and benefits to become due in the case of members now in service who will ultimately qualify for retirement.

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


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

Retirement and Benefits Reserve constitutes the amount necessary to pay out during the future lifetime of the present pensioners the pensions already granted and in force at the balance sheet date.

CERTIFICATION

The accompanying Valuation Balance Sheet exhibits all assets, accrued liabilities and reserves of the system as of June 30, 1965. Present assets were taken from the financial statements submitted by the accountant of the system.

In our opinion, the accompanying Valuation Balance Sheet correctly presents the condition of the Employees' Retirement System of the State of Rhode Island at June 30, 1965, 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

March 31, 1966


FINANCIAL STATEMENTS

1. Financial Balance Sheet as of  
June 30, 1965
2. Statement of Revenues and Expenditures  
for the Fiscal Year Ended June 30, 1965
3. Statement of Cash Receipts and  
Disbursements for the Fiscal Year  
Ended June 30, 1965

Employees' Retirement System of the  
State of Rhode Island

FINANCIAL BALANCE SHEET - JUNE 30, 1965

A S S E T S

Cash	\$	405,414.42
Investments (  )		<u>74,357,236.55</u>
<u>Total Assets</u>		<u>\$74,762,650.97</u>

LIABILITIES AND RESERVES

Current Liabilities

Unclaimed Benefits	\$	5,644.89
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Members' Contribution Reserves

State Employees	\$16,816,655.65
Teachers	18,457,172.52
Teachers' Survivors	<u>599.586.56</u>
Total Members' Reserves	35,873,414.73

General Reserves

State Employees	\$26,337,752.66
Teachers	11,757,477.34
Teachers' Survivors	728,781.83
Certain State Employees	30,752.88
Certain Teachers	<u>2,253.34</u>
Total General Reserves	38,857,018.05

Other Reserves

Accumulated Net Income for certain teachers and employees	\$	17,820.77
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Interest - Members' Contribution Reserve - Teachers' Survivors	<u>8,752.53</u>
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Total Other Reserves	<u>26,573.30</u>
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<u>Total Liabilities and Reserves</u>	<u>\$74,762,650.97</u>
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STATEMENT OF REVENUES AND EXPENDITURES  
FOR THE FISCAL YEAR ENDED JUNE 30, 1965

REVENUES

Member Contributions -

State Employees	\$ 2,740,111.47	
Teachers	2,795,095.38	
Teachers' Survivors - Active	332,695.36	
Teachers' Survivors - Retired	23,881.95	
Death Benefit Premiums - Retired Legislators \$	825.00	
Retired Employees	437.30	1,262.30
		\$ 5,893,046.46

General Fund Appropriations -

State Employees	\$ 2,291,082.00	
Teachers	1,480,000.00	
Certain State Employees	33,059.00	
Certain Teachers	3,680.00	3,807,821.00

Municipal Contributions -

Teachers	\$ 1,644,810.99	
Teachers' Survivors	328,144.34	1,972,955.33

Investment Income -

Investment Earnings	\$ 2,689,286.28	
Gain on Sale of Investments	22,286.79	2,711,573.07

Unclaimed Benefits

7,428.17

Sundry Refunds

1,180.13

TOTAL REVENUES

\$14,394,004.16

EXPENDITURES

Pension and Death Benefits -

State Employees	\$ 2,167,627.00	
Teachers	3,641,796.66	
Certain State Emp.	21,671.75	
Certain Teachers	1,426.66	
Teachers' Survivors	5,813.00	\$ 5,838,335.97

EXPENDITURES - continued

Refunds of Contributions -

State Employees	\$	596,027.51	
Teachers		441,948.92	
Teachers' Survivors		6,835.03	
To Municipalities			
a/c teachers		496.83	
Interest - Teachers'			
Survivors Contribu-			
tion Refund		<u>3.60</u>	\$ 1,045,311.89

Unclaimed Benefits and Other 12,376.57

TOTAL EXPENDITURES \$ 6,896,024.43

EXCESS OF REVENUE OVER EXPENDITURES \$ 7,497,979.73

Adjustments a/c Investments -

Add

Discounts on Investment			
Purchases	\$	123,853.88	

Deduct

Premiums on Invest-	\$	28,828.13	
ment Purchases			
Commissions on In-		611.25	
vestment Purchases			
Postage and Insurance			
on Investments		<u>104.64</u>	<u>29,544.02</u>

94,309.86

EXCESS. TRANSFERRED TO RESERVES \$ 7,592,289.59

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FISCAL YEAR ENDED JUNE 30, 1965

<u>Cash Balance July 1, 1964</u>		\$ 443,955.46
<u>Receipts:</u>		
Investments Sold and Matured	\$10,198,882.65	
Investment Earnings	2,749,922.54	
Gain on Sale of Investments	22,286.79	
Discounts on Invest- ments Purchased	<u>123,853.88</u>	\$13,094,945.86
<u>Member Contributions -</u>		
State Employees	\$ 2,740,111.47	
Teachers	2,795,095.38	
Teachers' Survivors- Active	332,695.36	
Teachers' Survivors- Retired	23,881.95	
<u>Death Benefit Premiums -</u>		
Retired Legislators	825.00	
Retired Employees	<u>437.30</u>	5,893,046.46
<u>General Fund Appropriations -</u>		
State Employees	\$ 2,291,082.00	
Teachers	1,480,000.00	
Certain State Employees	33,059.00	
Certain Teachers	<u>3,680.00</u>	3,807,821.00
<u>Municipal Contributions -</u>		
Teachers	\$ 1,644,810.99	
Teachers' Survivors	<u>328,144.34</u>	1,972,955.33
Interfund Transfers		9,372.80
Unclaimed Benefits		7,428.17
Miscellaneous Refunds		<u>1,180.13</u>
TOTAL RECEIPTS		\$74,786,749.75
TOTAL AVAILABLE		<u>\$25,230,705.21</u>



Statement of Cash Receipts and Disbursements - continued

Disbursements:

Investments Purchased	\$17,835,358.17	
Accrued Interest on		
Purchases	60,636.26	
Premiums on Purchases	28,828.13	
Commissions on		
Purchases	611.25	
Postage and Insurance		
on Purchases	<u>104.64</u>	\$17,925,538.45

Pension Benefits - Death Benefits -  
Death Retirement Allowances

State Employees	\$ 2,167,627.90	
Teachers	3,641,796.66	
Certain State		
Employees	21,671.75	
Certain Teachers	1,426.66	
Teachers' Survivors	<u>5,813.00</u>	5,838,335.97

Refunds of Contributions -

State Employees	\$ 596,027.51	
Teachers	441,948.92	
Teachers' Survivors	<u>6,835.03</u>	1,044,811.46

Municipalities a/c		
Teachers		496.83

Interfund Transfers		9,372.80
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Unclaimed Benefits		6,378.21
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Interest - Teachers'		
Survivors Contribu-		
tion Refund		3.60

Other Disbursements		<u>353.47</u>
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TOTAL DISBURSEMENTS		\$24,825,290.79
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CASH BALANCE JUNE 30, 1965		<u>\$ 405,414.42</u>
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A P P E N D I X

Summary of Benefit and Contribution  
Provisions

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS

B E N E F I T S

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. Any member completing 30 years of service may retire under age 60 on a reduced allowance which is the actuarial equivalent of the amount payable at age 60.

In the case of a member withdrawing from service prior to the attainment of age 60, the right to a retirement benefit vests in the member if his service credit is 10 years or more. 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 of a member is compulsory on the first day of the calendar month next following that in which he attained age 70, unless the member requests permission to continue in service, in which case the retirement board may permit his continuation in service beyond such age for periods of one year.

The service retirement allowance is equal to  $1\frac{2}{3}\%$  of average compensation<sup>1/</sup>, 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 the date of retirement.

Options. A member, upon or after attainment of age 60, and the completion of 10 years of service, or beginning at age 55 after 20 years of service, may elect to receive a lesser amount of service retirement allowance for himself in order to provide, on an actuarial equivalent basis, an annuity for a designated beneficiary to become payable upon his death, whether death occurs while in service or thereafter while on retirement.

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

<sup>1/</sup> Average compensation means the average annual compensation earnable by a member during the 5 consecutive years within his total service when such average was the highest.

A member qualifying for this benefit but not having completed 15 years of service, is entitled to receive the benefit prescribed for 15 years of service. If the member first entered service after the age of 45 years, his benefit is limited to 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.

Occupational disability benefit. A member becoming disabled as the direct result of the performance of duty is entitled to a benefit equal to  $66\frac{2}{3}\%$  of his rate of compensation at the date of becoming eligible for this benefit.

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, without interest, together with an amount provided from State contributions equal to \$250.00 for each year of total service of the member. The payment from State contributions is subject to a minimum amount of \$1,000.00 and a maximum of \$5,000.00.

If the period of service of the member has been less than one year, the minimum benefit of \$1,000.00 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.

A member retiring on or after July 1, 1964 receives continued coverage for ordinary death benefit but on a reduced basis, reduced to the extent of 25% for each full year on retirement, down to a minimum of 25% of the amount of benefit in effect for the member at date of retirement but not less than \$1,000.00.

Members of the General Assembly may continue coverage under this benefit after withdrawal from the General Assembly by making an annual contribution of \$15.00.

Occupational death benefit. Upon death of a member due to occupational causes, his accumulated contributions, including interest, are payable to such person 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 upon death of the widow, 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 minor child or children, the benefit is payable to a dependent father or mother for life.

Death benefit after retirement. Upon death of a retired member who did not elect any of the optional provisions of the Act, his beneficiary is entitled to a refund of the excess, if any, of the total member contributions at date of retirement, without interest, over the total retirement benefits paid to him. The minimum payment in such a case is an amount equal to five monthly installments of the retirement allowance or the sum of \$300.00, whichever is the greater.

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. State employee members of the system are required to contribute at the rate of 5% of salary. This rate is uniform for all employees, both male and female.

Teacher members contribute 6% of salary. This rate is the same for all teachers.

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 fiscal year are to 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 from July 1, 1947.

The State's contribution to the system on account of State employees is equal to 5% of total salaries, effective July 1, 1957.

In the case of teacher-members, the rate of employer contributions, shared equally by the State and the cities and towns, is 7% of total salaries, effective as of July 1, 1958.

#### 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.

Contributions for leaves of absence during any year may be made for the purpose of receiving 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 school or institution not operated for profit, is allowed, not exceeding a total of 10 years, upon payment of certain contributions. Such credit is available, however, only if the outside service was rendered more than 10 years before retirement.

Effective July 1, 1962, any teacher may retire after 35 years of service regardless of age.

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. The minimum was increased in 1952 under a formula which provided an additional amount of not less than \$200.00 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. This amount was increased in 1952 under a formula which provided an additional payment of not less than \$200.00 per year.

SUMMARY OF SURVIVORS' BENEFITS FOR SCHOOL TEACHERS

Effective July 1, 1963, survivors' benefits are provided certain designated beneficiaries of teachers, namely, a widow or widower, a dependent parent and minor children under age 18.

A survivors' benefit fund was created to which teachers make additional contributions equal to 1-1/2% of salary up to salary of \$4,800 per year which are to be matched equally by the cities and towns. The State of Rhode Island, through the Employees' Retirement Board, is designated as administrator of this program. The State assumes the cost of administration.

No member or dependents are eligible for benefits unless contributions had been made for at least 6 consecutive calendar months prior to death or retirement. However, any teacher who retired between April 21, 1962 and September 1, 1963 may become eligible for this program by contributing for at least 6 months, 3% of salary based upon his last rate of salary, provided he makes written application to the retirement board on or before September 1, 1963.

The beneficiaries under this provision are:

- (a) a widow who was married to the deceased teacher at least one year prior to death, or was the mother of his son or daughter, or legally adopted his son or daughter while married to him while such son or daughter was under age 18, or was married to him at the time both of them legally adopted a child under age 18;
- (b) a widower who was married to the teacher for not less than one year prior to the date of her death, is the father of her children, or legally adopted a child while married to her while the child was under 18;
- (c) a natural parent, a stepparent of the deceased member by marriage contracted before the member attained age 18, or an adopting parent who adopted the deceased teacher before the teacher attained age 18;
- (d) children including a stepchild who was in that capacity for at least one year before the death of the member or an adopted child of the member regardless of length of adoption;
- (e) former divorced wife who is the mother of his child or children, who legally adopted his child or children while married to him and while they were under age 18, was married to the member at the time both of them legally adopted a child under age 18.

Widows' benefits. Payable during widowhood at age 62 or over of the widow, provided she was living with the husband at time of death. The amount of benefit payable is as follows.

<u>Last annual salary</u>	<u>Monthly benefit</u>	<u>Last annual salary</u>	<u>Monthly benefit</u>
\$1200	\$48.70	\$3600	\$ 86.70
1800	60.30	4200	95.70
2400	69.30	4800 and over	104.80
3000	78.40		

Benefits for annual salary not shown in this schedule must be determined by the retirement board.

Mother's benefit. Payable to a widow who is not entitled to a widow's benefit provided (a) she has in her care a child of a member entitled to child's benefits and was living with the teacher-member at the time of his death, and (b) she has not remarried. The amount of benefit payable is as follows:

<u>Last annual salary</u>	<u>Widow and 1 child</u>	<u>Widow and 2 children</u>	<u>Widow and 3 or more children</u>
\$1200	\$ 88.50	\$ 88.50	\$ 88.50
1800	109.60	120.00	120.00
2400	126.00	161.60	161.60
3000	142.60	202.40	202.40
3600	157.60	236.40	240.00
4200	174.00	254.00	254.00
4800	190.60	254.00	254.00

Benefits for salaries not shown above must be determined by the retirement board.

When the youngest child attains age 18, the widow is entitled to receive the widow's annuity provided she has attained age 62, otherwise she must wait until she attains such age.



Child's benefits. These benefits are payable on account of any unmarried child under age 18 who was dependent upon the teacher at time of his death or the child was disabled which had its origin prior to age 18. The monthly amounts of benefit payable are as follows:

<u>Last annual salary</u>	<u>One Child</u>	<u>Two Children</u>	<u>Three or more Children</u>
\$1200	\$ 44.30	\$ 88.50	\$ 88.50
1800	54.80	109.60	120.00
2400	63.00	126.00	161.60
3000	71.30	142.60	202.40
3600	78.80	157.60	236.40
4200	87.00	174.00	254.00
4800	95.30	190.60	254.00

Benefits for amounts of salary not shown above must be determined by the retirement board.

Widower's benefit. Payable to the widower of a deceased teacher member upon attainment of age 62 who is not entitled to a social security benefit from his own earnings equal to or greater than the amount of this benefit. The rates of benefit are the same as those prescribed for a widow.

Parent's benefit. Payable to a dependent parent or parents of a teacher who did not leave a widow, widower or eligible child surviving him, who had attained age 65 and payable while the parent is unmarried, and is not entitled to a social security benefit from his own earnings equal to or greater than the amount of this benefit. The rates of benefit are the same as those prescribed for a widow.

Refunds. Any member who dies while in service, leaving no dependents eligible for benefits, is entitled to a refund of his contributions towards this benefit, plus interest.

If a member leaves the service before retirement with 5 years of service or more, he is entitled to a refund of his contributions for this purpose. If service is less than 5 years, no refund is payable.

Social security. The survivors' annuity provisions described herein do not apply to teachers of any city or town who prior to July 1, 1963 elected coverage for its teachers under the federal social security act.

MODIFICATIONS AFFECTING MEMBERS OF THE  
GENERAL ASSEMBLY

Members of the General Assembly became eligible for participation in the system effective July 1, 1960. Members contribute 20% of salary. A member may retire beginning at age 60 after 10 years of service. The retirement annuity is equal to \$1,500.00 for 10 years of service increased \$150.00 for each year of service above 10 years up to a maximum of \$3,000.00 per year.

If a former member of the General Assembly (not on retirement) re-enters service of any agency or division of the State government other than as a member of the General Assembly and renders at least 2 years of service, he may elect the above formula or the regular service retirement allowance described hereinbefore, whichever is greater.