

THIRTY-EIGHTH ANNUAL REPORT  
OF THE  
RETIREMENT BOARD



*Year Ended June 30, 1974*

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND  
Annual Report

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Retirement System Staff

Joseph G. Iannelli, Executive Director

John F. Sullivan, Assistant Director

Carlo Mencucci, Senior Accountant

Sarto R. Gamache, Fiscal Accounting Consultant

Margaret Sherman, Senior Clerk

Nicholas DiTomaso, Accountant

Ruth Vanner, Secretary

David Minicucci, Jr., Accountant

Dorothy Mancini, Retirement Counselor

Jeannette Cronan, Account Clerk

Peggy Nelson, Receptionist

Doris Calder, Account Clerk

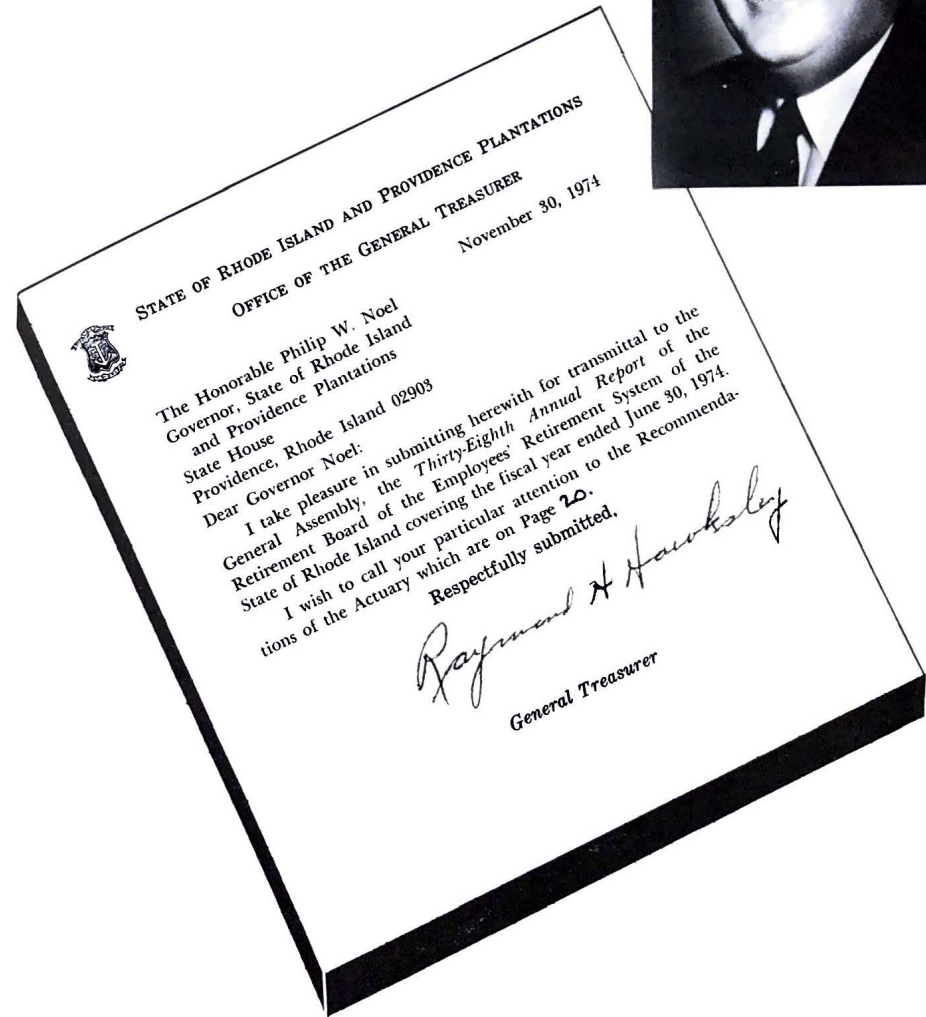
Marilyn Ferri, Clerk

Evelyn Geremia, Clerk

Marilyn Bottai, Clerk

Ann Glew, Machine Operator

Ann Raia, Clerk





REPORT OF THE RETIREMENT BOARD

Thirty-Eighth Annual report of the Retirement Board covering the fiscal year ended June 30, 1974.

The report covers in detail through the exhibits, schedules and statistics, the operations for the year and its conditions at June 30 together with the Actuary's valuation and recommendations.

*Financial Facts*

*Total Reserves* at the end of the year were 10.8% or \$19,497,387 higher than the previous year for a total of \$199,719,374.

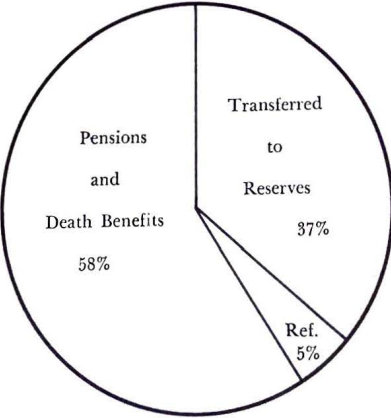
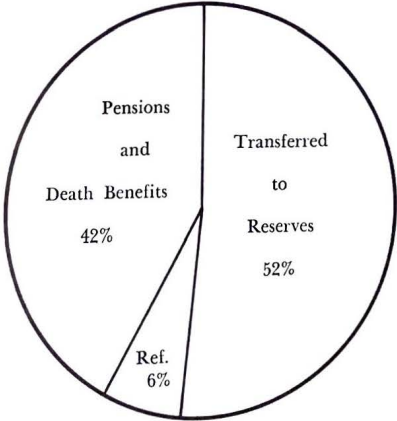
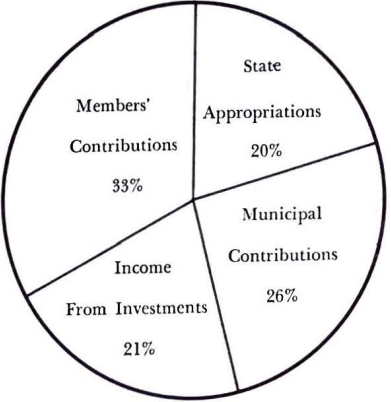
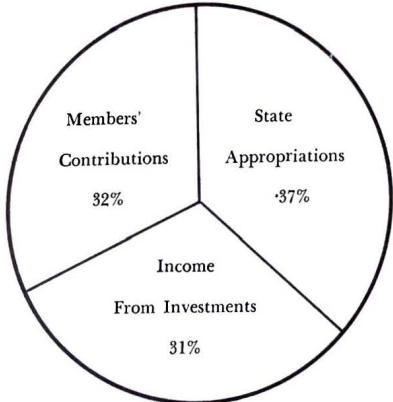
*Revenues* from all sources for the year amounted to \$19,709,167 for State Employees and \$24,746,081 for Public School Teachers. Expenditures for the year amounted to \$9,471,994 and \$15,481,565 for State Employees and Teachers respectively.

The Chart below clearly depicts the sources of all Revenues and how Expended.

*Report  
of the  
Board*

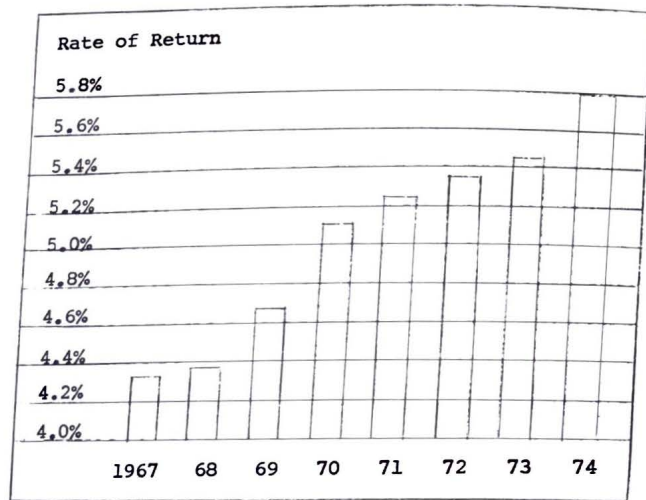
*State Employees*

*Public School Teachers*



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Income from investments for the year amounts to \$11,374,369, including a capital gain of \$195,625. This represents 25.6% of the total revenues. This income is equal to a yield of 5.8% and is compared to the yield of previous years in the chart shown below:



Pension benefits which represent the major expenditure item amounted to \$6,946,783 for State Employees and \$12,865,531 for Teachers. To this was added the Cost of Living Adjustment which amounted to \$502,378 for State Employees and \$1,119,746 for Teachers. A Comparative chart of the Cost of Living Adjustment graphically depicts the facts in this regard and the trend thereof. The chart covers Cost of Living from Inception to the close of the Last Fiscal Year.

STATE EMPLOYEES

TEACHERS

| Year    | STATE EMPLOYEES  |                           |         |           | TEACHERS         |                           |         |           |
|---------|------------------|---------------------------|---------|-----------|------------------|---------------------------|---------|-----------|
|         | Pension Benefits | Cost of Living ADJUSTMENT | % Incr. | % to Ben. | Pension Benefits | Cost of Living Adjustment | % Incr. | % to Ben. |
| 1969-70 | 3,211,776.       | 223,510.                  |         | 6.96      |                  |                           |         |           |
| 1970-71 | 3,774,305.       | 272,657.                  | 22.     | 7.22      | 7,876,576.       | 621,970.                  |         | 7.90      |
| 1971-72 | 4,888,704.       | 334,646.                  | 22.7    | 6.85      | 9,759,785.       | 757,018.                  | 21.7    | 7.76      |
| 1972-73 | 5,782,110.       | 411,796.                  | 23.1    | 7.12      | 11,413,852.      | 923,868.                  | 22.     | 8.09      |
| 1973-74 | 6,685,643.       | 502,378.                  | 22.     | 7.51      | 12,778,668.      | 1,119,746.                | 21.2    | 8.26      |

Chapter 231 of the Public Laws of 1968 provided a yearly cost of living adjustment to all State Employees receiving service retirement benefits who had retired prior to December 31, 1967, at the rate of 1½% of base pension (not compounded) times the number of calendar years the benefits had been in effect, effective January 1, 1968.

Chapter 112 of the Public Laws of 1970 provided the same cost of living adjustment for Public School Teachers, effective January 1, 1970.

Chapter 112 of the Public Laws of 1970 also provided an increase in the cost of living adjustment from 1½% to 3% annually for State Employees and Public School Teachers, effective January 1, 1971.

Unfunded Accrued Liabilities

This is thoroughly covered in the Actuary's report section. However it is pointed out that the rate of funding, otherwise referred to as the "Security ratio", at June 30, 1974 was 52.7% for State Employees and 22.7% for Teachers and is compared to the Security ratio for preceding years, per the schedule shown below.

| Fiscal Year Ended June 30 | Unfunded Liability |              | Percent Funded |          |
|---------------------------|--------------------|--------------|----------------|----------|
|                           | State Emp.         | Teachers     | State Emp.     | Teachers |
| 1965                      | 32,921,317.        | 67,457,744.  | 67.0           | 28.5     |
| 1966                      | 33,760,447.        | 74,430,890.  | 69.5           | 28.9     |
| 1967                      | 39,715,316.        | 77,297,416.  | 70.8           | 29.6     |
| 1968                      | 41,032,997.        | 83,612,994.  | 72.4           | 30.8     |
| 1969                      | 40,688,000.        | 87,646,000.  | 74.            | 32.9     |
| 1970                      | 43,969,000.        | 94,614,000.  | 72.8           | 34.7     |
| 1971                      | 54,877,000.        | 17,486,000.  | 69.2           | 32.7     |
| 1972                      | 85,746,775.        | 206,425,856. | 57.7           | 24.6     |
| 1973                      | 114,256,163.       | 237,759,264. | 54.8           | 23.      |
| 1974                      | 130,932,871.       | 277,875,668. | 52.7           | 22.7     |

1974 Legislation

The several changes made at the 1974 session of the General Assembly are briefly summarized.

1. LEGISLATIVE COMMISSION. Created a nine member legislative study commission to make an in-depth study of the state retirement system, consisting of three senators and six representative.



2. TEACHERS SURVIVORS. Revised the teachers survivors' benefits plan. Reduces qualifying ages to age 60 for widows, widowers and dependent parents and increases monthly benefits. Teachers will contribute 1% of salary up to \$9,600.00 per year which will be matched by the cities and towns to finance the increased benefits, effective July 1, 1974.

3. MUNICIPAL CREDITS. (a) Allows state employees and legislators to purchase non-participating municipal credits at full actuarial cost, effective January 1, 1975. (b) Allows present employees of the Department of Social Rehabilitative Services who became employees prior to July 1, 1970 to purchase prior municipal welfare department service at full actuarial cost.

#### CONCLUDING COMMENT

The results of operations for the preceding year were satisfactory. A normal increase in reserves was recorded. Management and administrative policies have been geared to high standards thus providing the membership with prompt and efficient service. An actuarial valuation is made each year as a check of its current operating results and to disclose the financial condition of the system at the end of the Fiscal year from a technical standpoint.

The board hereby acknowledges the cooperation and service rendered during the year by officials of the State government and hereby records its appreciation of the dedicated efforts of the members of the administrative staff.

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

*Joseph G. Iannelli*  
Executive Secretary

*Director's Message*



## Director's Message

The past fiscal year has seen numerous improvements in the internal operation and record keeping process of the retirement system, providing greater efficiency, better service and economy in the overall operation of the agency.

During the fiscal year, the retirement system staff implemented all of the revisions enacted by the 1974 legislature.

Information furnished to members of the retirement system as contained in the "Annual Statement of Members Accounts," the Legislative Bulletin, and other informational pamphlets was received with enthusiasm and great appreciation.

Continued effort and progress was made in the file maintenance program involving approximately 40,000 accounts, included the conversion of members accounts to social security numbers using terminal digit filing systems. Technical advice and assistance was provided to the Governor's State Pension Study Commission, the General Assembly, Legislative Council, the Budget Division and to various associations, agencies and organizations.

While serving as Chairman of the Retirement Committee of the Municipal Finance Officers Association of the United States and Canada and as Regional Vice-President of the National Association of State Retirement Administrators, I gained considerable current information on retirement matters, and I have observed our retirement system as being one of the most progressive in the nation in providing liberal benefit provisions for its members.

Your Executive Director and members of the staff held numerous seminars which were attended by designated agents and others who are involved with retirement matters for local units of government and the State of Rhode Island. The seminars were most favorably received and appear to be an effective means of communicating with those who handle retirement matters within the respective agencies, and we shall concentrate our efforts to expand these conferences and seminars in the years ahead.

Material was furnished to representatives of the news media relating to the retirement program. Your Director also wrote many articles and appeared on various panels on the national retirement scene and supplied information to numerous governmental research units, libraries and educational institutions.

Our thirty-eighth year of operation has been the most challenging and rewarding of all.

A sincere thank you is extended to the distinguished and concerned leaders who serve on your Retirement Board, the dedicated staff in the retirement office our actuarial firm, leaders of professional organizations who ably represent you, the members, our honorable legislature, the executive branch of state government and everyone whose assistance has resulted in better service to our members.

*Joseph G. Iannelli*  
Executive Director

# Report of the Actuary



A. A. WEINBERG  
CONSULTING ACTUARY  
CHICAGO 60604

RETIREMENT & PENSION PLANS  
CERTIFIED PUBLIC ACCOUNTANT

MEMBER - AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

October 15, 1974

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

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

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

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

BASIS OF VALUATION

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

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

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

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

4. Future salary increments: An average annual compound rate of 3½%.
5. Average age at retirement: State employees - 64 years  
Teachers - 62 years
6. Disability rates: Class (1) rates of disablement from the Society of Actuaries 1952 Inter-company study were used. It was assumed that 15% of all disablements would occur in line of duty.
7. Marital status: 85% of employees in service assumed to be married with the average age of the wives 4 years less than that of the employees. 65% of the State employees and 50% of the teachers retiring on pension are married.
8. Administrative expense: None

MEMBERSHIP STATISTICS

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

| <u>ACTIVE MEMBERS</u> | <u>State Employees</u> |               | <u>Teachers</u> |               |
|-----------------------|------------------------|---------------|-----------------|---------------|
|                       | <u>Male</u>            | <u>Female</u> | <u>Male</u>     | <u>Female</u> |
| Number                | 7,774                  | 7,301         | 4,781           | 7,867         |
| Percent of Total      | 51.6%                  | 48.4%         | 37.8%           | 62.2%         |
| Annual Salaries       | \$72,578,064           | \$52,026,926  | \$51,783,011    | \$82,493,362  |
| Average Salary        | \$9,336                | \$7,126       | \$10,831        | \$10,486      |
| Average age           | 44.7                   | 41.3          | 37.2            | 39.6          |
| Average service       | 8.8                    | 7.4           | 9.2             | 9.8           |

RETIREMENTS

|                              |       |       |       |       |
|------------------------------|-------|-------|-------|-------|
| 1. Total number at 6/30/74   | 1,550 | 1,339 | 418   | 1,927 |
| Percent of total             | 53.6% | 46.4% | 17.8% | 82.2% |
| Average age at June 30, 1974 | 70.7  | 75.1  | 69.9  | 70.5  |



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

#### RESULTS OF VALUATION

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

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

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

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

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

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

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

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

|  | State<br><u>Employees</u> | Teacher<br><u>Members</u> |
|--|---------------------------|---------------------------|
| Normal cost as a percentage of payroll | 16.0%                     | 19.2%                     |
| Less, member contributions             | <u>5.0</u>                | <u>6.0</u>                |
| Cost to the Employers                  | <u>11.0%</u>              | <u>13.2%</u>              |

#### VALUATION BALANCE SHEET

A Valuation Balance Sheet is presented in the following pages. This statement displays the financial condition of the system at June 30, 1974. From a strict technical standpoint, a sound financial condition exists when the system has present assets equal to the difference between (a) the total of all accrued and prospective liabilities, and (b) the present value of future contributions to be received by the system according to the prescribed rate schedule. A retirement system attaining this condition will have provided in full for all accrued pension credits in accordance with actuarial requirements.

## A S S E T S

NET PRESENT ASSETS:

|  |                  |                      |
|--|------------------|----------------------|
| Cash   |                  | \$ 1,163,124         |
| Investments (Amortized book value for bonds - cost for stocks) | 196,030,846      |                      |
| Accrued interest receivable                                    | <u>2,568,540</u> |                      |
|  | \$199,762,510    |                      |
|  | <u>43,136</u>    |                      |
| Less, Accounts Payable   |                  | <u>\$199,719,374</u> |

DEFERRED ASSETS

Present Value of future contributions on account of service credits after July 1, 1974

|                          |                   |             |
|--------------------------|-------------------|-------------|
| State Employees- Members | \$40,892,411      |             |
| State of Rhode Island    | 64,011,723        |             |
| Teacher-Members          | 51,487,362        |             |
| State of Rhode Island    | 48,677,178        |             |
| Cities and Towns         | <u>48,677,178</u> | 253,745,852 |

UNFUNDED ACCRUED LIABILITY

|  |                    |                      |
|--|--------------------|----------------------|
| Due from Employers for unfunded pension credits- |                    |                      |
| A/C of State Employees                           | \$130,932,871      |                      |
| A/C of Teachers                                  | 138,937,834        |                      |
| Cities and Towns -Account Teachers               | <u>138,937,834</u> |                      |
|  | <u>408,808,539</u> |                      |
| <u>TOTAL ASSETS</u>                              |                    | <u>\$862,273,765</u> |

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

LIABILITIES AND RESERVE REQUIREMENTSFUTURE SERVICE LIABILITY:

|                 |                    |               |
|-----------------|--------------------|---------------|
| State Employees | \$104,904,134      |               |
| Teacher-Members | <u>148,841,718</u> | \$253,745,852 |

RESERVE REQUIREMENTS:1. MEMBER CONTRIBUTIONS-State Employees

|   |                   |            |
|---|-------------------|------------|
| For service retirement and disability annuities | \$ 21,014,588     |            |
| For future refunds                              | <u>15,773,019</u> | 36,787,607 |

Teacher-Members

|   |                   |            |
|---|-------------------|------------|
| For service retirement and disability annuities | \$ 34,720,179     |            |
| For future refunds                              | <u>16,022,117</u> | 50,742,296 |

2. TEACHERS' SURVIVOR BENEFITS

14,896,621

3. EMPLOYER CONTRIBUTIONS

For service retirement and disability annuities on active members -

State Employees

|                              |                   |             |
|------------------------------|-------------------|-------------|
| Total requirements           | \$122,933,510     |             |
| Less, Employee Contributions | <u>21,014,588</u> | 101,918,922 |

Teacher-Members

|                              |                   |             |
|------------------------------|-------------------|-------------|
| Total requirements           | \$246,377,129     |             |
| Less, Employee Contributions | <u>34,720,179</u> | 211,656,950 |

4. RETIREMENT AND BENEFITS RESERVE

|                                       |                    |                      |
|---------------------------------------|--------------------|----------------------|
| State Employee                        | 66,093,591         |                      |
| Teacher-Members                       | <u>126,431,926</u> |                      |
| <u>TOTAL LIABILITIES AND RESERVES</u> |                    | <u>\$862,273,765</u> |

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

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

Deferred Assets consist of the obligations of the members and the employers for service to be rendered subsequent to June 30, 1974. They represent actuarially determined amounts, giving effect to the factors of mortality, interest, turnover and others that enter into the computation of liabilities and annuities and benefits that accrue 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 accrued obligation of the State and the Cities and Towns to be discharged in future years by increased financial allocations to the system.

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

Reserve for Members' Contributions consists of the total of members' contribution credits at the balance sheet date. Part of these credits is payable as a refund in future years to members withdrawing from service on account of resignation, dismissal or death. The remainder is to be applied to finance a portion of the annuities and benefits payable to members now in service who will ultimately qualify for retirement.

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

Reserve for Employer Contributions represents the amounts that must be provided to finance the employers' portion of the accrued pension credits for those employees now in service who will ultimately qualify for retirement and disability pensions.

Retirement and Benefits Reserve constitutes the amount reserved to payout during the future lifetime of the pensioners presently on the pension roll the pensions granted and in force at the balance sheet date.

CERTIFICATION

The accompanying Valuation Balance Sheet exhibits the assets, accrued liabilities and reserves of the system as of June 30, 1974. Present assets were taken from the financial statements submitted by the Senior Accountant of the system.

In our opinion, this Valuation Balance Sheet correctly presents the condition of the Employees' Retirement System of the State of Rhode Island at June 30, 1974 after giving effect to all accrued liabilities and actuarial reserve requirements for the several annuities and benefits under the applicable law in effect at such date.

A. A. Weinberg  
Actuary

October 15, 1974



RECONCILIATION OF THE INCREASE IN  
THE UNFUNDED ACCRUED LIABILITY

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

PROJECTION OF FUTURE PENSION AND BENEFIT PAYOUTS

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

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

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

| <u>Year</u> | <u>Amounts of future<br/>pension and benefit<br/>payments<br/>(in millions)</u> |
|-------------|---|
| 1974        | 22.5  |
| 1976        | 29.1  |
| 1979        | 40.2  |
| 1982        | 53.6  |
| 1985        | 68.7  |

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

FINANCING PENSION COSTS

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

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

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



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

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

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

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

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

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

|                       |                      |
|-----------------------|----------------------|
| State of Rhode Island | \$269,870,705        |
| Cities and Towns      | 138,937,834          |
| Total                 | <u>\$408,808,539</u> |

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

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

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

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

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



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

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

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

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

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

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

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

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

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

It is further recommended that the contribution rate for the Cities and Towns of the State on account of teachers be increased each year for the next 5 years 2 percentage points from the present level of 9.0% of payroll. In this rate the State shares equally with the Cities and Towns in financing the teachers' pensions. At the end of the 5-year progression period, when the total rate will have attained a level of 19% of payroll, a reexamination of the rate would be made under the conditions then in effect and a new rate schedule would be determined for the future.

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

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

# Financial Statements

## Comparative Financial Balance Sheet

|   | <u>June 30</u>       |                      |
|---|----------------------|----------------------|
| <u>Assets</u>   | <u>1974</u>          | <u>1973</u>          |
| Cash  | \$ 1,163,124         | \$ ( 276,998)        |
| Accrued Interest Receivable   | 2,568,540            | 1,982,540            |
| Investments ( At Amortized Book<br>value for Bonds and Cost for Stock | <u>196,030,846</u>   | <u>178,555,278</u>   |
| Total Assets  | <u>\$199,762,510</u> | <u>\$180,260,820</u> |
| <br><u>Liabilities &amp; Reserves</u>                                 |                      |                      |
| <u>Current Liabilities</u>  |                      |                      |
| Unclaimed Benefits  | \$ 43,137            | \$ 38,834            |
| <u>Members' Contribution Reserves</u>                                 |                      |                      |
| State Employees   | 36,787,608           | 33,380,247           |
| Teachers  | 47,829,435           | 42,940,627           |
| Teachers Survivors  | <u>2,912,862</u>     | <u>2,594,322</u>     |
| Total Members Reserves  | 87,529,905           | 78,915,196           |
| <u>General Reserves</u>   |                      |                      |
| State Employees   | 71,199,447           | 64,356,986           |
| Teachers  | 34,430,355           | 31,322,117           |
| Teachers Survivors  | 6,550,697            | 5,620,780            |
| Certain State Employees   | 7,969                | 4,067                |
| Certain Teachers  | <u>1,000</u>         | <u>2,840</u>         |
| Total General Reserves  | <u>\$112,189,468</u> | <u>\$101,306,790</u> |
| Total Liabilities & Reserves  | <u>\$199,762,510</u> | <u>\$180,260,820</u> |



STATEMENT OF REVENUES AND EXPENDITURES

YEAR ENDED - JUNE 30, 1974

REVENUES

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

EXPENDITURES

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

Analysis of Revenue & Expenditures

Fiscal Year Ended - June 30, 1974

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

Distribution of Excess Revenue

|                              |                      |
|------------------------------|----------------------|
| <u>Unclaimed Benefits</u>    | \$ 4,303             |
| <u>Members Reserves</u>      |                      |
| State                        | 3,407,361            |
| Teachers                     | 4,888,808            |
| Survivors                    | 318,540              |
| <u>General Reserves</u>      |                      |
| State                        | 6,842,460            |
| Teachers                     | 3,108,239            |
| Survivors                    | 929,917              |
| Certain Employees & Teachers | 2,062                |
| <b>Total</b>                 | <b>\$ 19,501,690</b> |

ANALYSIS OF INVESTMENT INCOME  
FISCAL YEAR ENDED JUNE 30, 1974

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

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

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

# Investments

## SUMMARY OF INVESTMENTS

### OPERATIONS:

( July 1, 1973-June 30, 1974 )

|                                     |                     |
|-------------------------------------|---------------------|
| Total Investments - July 1, 1973    | 179,232,685.        |
| <u>Add:</u>                         |                     |
| Purchases During The Year           | 106,879,553.        |
|                                     | 286,112,238.        |
| <u>Deduct:</u>                      |                     |
| Redemptions & Sales During the year | 89,461,678.         |
| Total Investments at June 30, 1974  | <u>196,650,560.</u> |

### INVESTMENT ACCOUNT: ( BY Type of Security )

| <u>Type</u>                                     | <u>Cost or Par</u>  | <u>Proportion<br/>of Total</u> |
|---|---------------------|--------------------------------|
| U.S. Government                                 | 23,034,000.         | 11.71                          |
| Federal Land Banks                              | 2,000,000.          | 1.02                           |
| Federal Home Loan                               | 1,000,000.          | .51                            |
| Federal National Mortgage<br>International Bank | 1,085,000.          | .55                            |
| for Reconstruction                              | 700,000.            | .36                            |
| Certificates of Deposit                         | 1,500,000.          | .76                            |
| Commercial Paper                                | 7,500,000.          | 3.81                           |
| State & Municipal Bonds                         | 1,084,000.          | .55                            |
| Railroad Bonds                                  | 2,122,000.          | 1.08                           |
| Public Utility Bonds                            | 73,080,000.         | 37.16                          |
| Industrial Bonds                                | 21,814,400.         | 11.09                          |
| Preferred Stocks                                | 1,340,860.          | .68                            |
| Common Stocks                                   | 54,641,037.         | 27.79                          |
| Bank Stocks                                     | 5,125,973.          | 2.61                           |
| Mutual Funds                                    | 623,290.            | .32                            |
|   | <u>196,650,560.</u> | <u>100.00</u>                  |



INVESTMENTS OWNED

| <u>Description</u>                    | <u>Rate of Interest</u> | <u>Maturity</u> | <u>Carrying Value</u> |
|---------------------------------------|-------------------------|-----------------|-----------------------|
| <u>UNITED STATE OF AMERICA</u>        |                         |                 |                       |
| Treasury bonds                        | 5-3/4 %                 | 11/15/74        | \$ 875,000            |
| Treasury bonds                        | 5-7/8                   | 8/15/75         | 1,000,000             |
| Treasury bonds                        | 5-7/8                   | 2/15/76         | 797,000               |
| Treasury bonds                        | 8                       | 2/15/77         | 1,363,000             |
| Treasury bonds                        | 6-7/8                   | 5/15/77         | 700,000               |
| Treasury bonds                        | 7-3/4                   | 8/15/77         | 1,700,000             |
| Treasury bonds                        | 6                       | 11/15/78        | 1,000,000             |
| Treasury bonds                        | 6-1/4                   | 8/15/79         | 3,809,000             |
| Treasury bonds                        | 4                       | 2/15/80         | 200,000               |
| Treasury bonds                        | 6-7/8                   | 5/18/80         | 500,000               |
| Treasury bonds                        | 6-3/8                   | 2/15/82         | 2,170,000             |
| Treasury bonds                        | 3-1/4                   | 6/15/83         | 1,825,000             |
| Treasury bonds                        | 4-1/8                   | 5/15/85         | 500,000               |
| Treasury bonds                        | 4-1/4                   | 5/15/85         | 500,000               |
| Treasury bonds                        | 3-1/2                   | 2/15/90         | 1,945,000             |
| Treasury bonds                        | 4-1/4                   | 8/15/92         | 2,300,000             |
| Treasury bonds                        | 6-7/8                   | 8/15/93         | 850,000               |
| Treasury bonds                        | 4-1/8                   | 5/15/94         | 1,000,000             |
| <b>Total United States of America</b> |                         |                 | <b>\$ 23,034,000</b>  |

THE TWELVE FEDERAL LAND BANKS

|                                      |       |         |                     |
|--------------------------------------|-------|---------|---------------------|
| Cons. Federal Farm Loan              | 4-3/4 | 4/21/75 | \$ 500,000          |
| Cons. Federal Farm Loan              | 5     | 2/24/76 | 500,000             |
| Cons. Federal Farm Loan              | 5-3/8 | 7/20/76 | 500,000             |
| Cons. Federal Farm Loan              | 4-1/8 | 2/20/78 | 500,000             |
| <b>Total Federal Land Bank Bonds</b> |       |         | <b>\$ 2,000,000</b> |

FEDERAL HOME LOAN BANK

|                |       |         |              |
|----------------|-------|---------|--------------|
| Mortgage Notes | 8-3/4 | 2/25/76 | \$ 1,000,000 |
|----------------|-------|---------|--------------|

FEDERAL NATIONAL MORTGAGE ASSOCIATION

|  |        |         |                     |
|--|--------|---------|---------------------|
| Note   | 5.35 % | 4/ 1/79 | \$ 100,000          |
| Note   | 5.40   | 6/23/80 | 340,000             |
| Note   | 5.25   | 4/ 1/81 | 445,000             |
| Note   | 5.20   | 1/19/82 | 200,000             |
| <b>Total Federal National Mortgage Association</b> |        |         | <b>\$ 1,085,000</b> |

| <u>Description</u>   | <u>Rate of Interest</u> | <u>Maturity</u> | <u>Carrying Value</u> |
|--|-------------------------|-----------------|-----------------------|
| <u>INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPEMENT</u>      |                         |                 |                       |
| Bonds  | 4-1/4                   | 1/15/79         | \$ 100,000            |
| Bonds  | 5-3/8                   | 4/ 1/92         | 600,000               |
| <b>Total International Bank for Reconstruction and Development</b> |                         |                 | <b>\$ 700,000</b>     |
| <u>CERTIFICATES OF DEPOSITS</u>                                    |                         |                 |                       |
| Citizens Trust Co.   | 11                      | 7/22/74         | \$ 1,500,000          |
| <u>COMMERCIAL PAPER</u>  |                         |                 |                       |
| United Merchants & Mfg.  | Disct.                  | 7/29/74         | \$ 2,000,000          |
| Louisiana Pacific  | Disct.                  | 8/24/74         | 1,000,000             |
| Equitable Life Mortgage Realty Investors                           | Disct.                  | 8/24/74         | 1,000,000             |
| Industrial National Corporation                                    | Disct.                  | 9/26/74         | 2,000,000             |
| Ban Cal Tri State  | Disct.                  | 8/15/74         | 1,500,000             |
| <b>Total Commerical Paper</b>                                      |                         |                 | <b>\$ 7,500,000</b>   |

STATE OF RHODE ISLAND

|   |       |         |                   |
|---|-------|---------|-------------------|
| <u>Blackstone Valley Sewer District</u> |       |         |                   |
| <u>Loan of 1952:</u>                    |       |         |                   |
| Series B                                | 2-1/2 | 5/ 1/86 | \$ 50,000         |
| Series C                                | 2-3/4 | 5/ 1/83 | 120,000           |
| Series D                                | 4     | 9/ 1/75 | 100,000           |
| Panel & Charitable Inst.                | 4     | 3/ 1/77 | 10,000            |
| State Office Building                   | 4     | 6/ 1/77 | 12,000            |
| Third Courthouse Loan                   | 4     | 3/20/81 | 22,000            |
| Washington Bridge Loan                  | 4     | 5/ 1/77 | 6,000             |
| <b>Total State of Rhode Island</b>      |       |         | <b>\$ 320,000</b> |

MUNICIPALITIES

|                            |        |             |           |
|----------------------------|--------|-------------|-----------|
| <u>City of Cranston:</u>   |        |             |           |
| School, Series A           | 2-1/2% | 6/ 1/76     | \$ 45,000 |
| School, Series E           | 2.7    | 2/15/78-79  | 68,000    |
| School, Series C           | 2.9    | 11/15/76-78 | 70,000    |
| School, Series B           | 3.6    | 7/ 1/76     | 35,000    |
| Sewerage, Series E         | 1-3/4  | 10/ 1/80-81 | 5,000     |
| Sewerage, Series H         | 1.8    | 3/ 1/76     | 10,000    |
| Sewerage, Series D         | 2      | 6/ 1/78     | 4,000     |
| Sewerage, Series I         | 2-1/2  | 6/ 1/76     | 15,000    |
| <u>Town of Cumberland:</u> |        |             |           |
| Water Supply Installation  | 1.9    | 1/ 1/76     | 3,000     |

| Description                               | Rate of Interest | Maturity    | Carrying Value |
|---|------------------|-------------|----------------|
| <u>MUNICIPALITIES -continued</u>          |                  |             |                |
| City of East Providence:                  |                  |             |                |
| Elementary School                         | 3-3/4            | 2/ 1/78     | \$ 15,000      |
| Sewer Trunk Extension                     | 2-1/5            | 7/ 1/75-76  | 28,000         |
| Street and Drainage                       | 3-3/4            | 2/ 1/76-78  | 45,000         |
| Town of Hopkinton:                        |                  |             |                |
| School Building and Equipment             | 2-3/4            | 12/ 1/82-84 | 20,000         |
| Town of Jamestown:                        |                  |             |                |
| School Construction                       | 3                | 12/ 1/74    | 5,000          |
| Town of Johnston:                         |                  |             |                |
| School                                    | 2.9              | 9/ 1/74     | 22,000         |
| Town of Lincoln:                          |                  |             |                |
| Elementary School Buildings and Equipment | 3-1/2            | 3/ 1/76     | 30,000         |
| Town of Narragansett:                     |                  |             |                |
| Beach Repair                              | 2.7              | 1/ 1/77-80  | 48,000         |
| School Construction                       | 3.7              | 5/ 1/82     | 34,000         |
| City of Newport:                          |                  |             |                |
| Sewer and Anti-Pollution                  | 3.7              | 7/ 1/76     | 15,000         |
| Town of North Kingstown:                  |                  |             |                |
| Land Purchase and School Building         | 3-1/2            | 4/ 1/76     | 60,000         |
| Town of North Providence:                 |                  |             |                |
| Funding                                   | 3-1/2            | 7/ 1/75-76  | 25,000         |
| Highway Construction                      | 3-1/3            | 7/ 1/75-76  | 20,000         |
| Town of Smithfield:                       |                  |             |                |
| School                                    | 2-3/4            | 6/ 1/76     | 25,000         |
| City of Warwick:                          |                  |             |                |
| Highway                                   | 2-2/5            | 10/ 1/74    | 20,000         |
| School                                    | 2-7/10           | 12/ 1/84-86 | 30,000         |
| School                                    | 3-1/4            | 10/ 1/79    | 5,000          |
| Town of West Warwick:                     |                  |             |                |
| Sewer                                     | 2-7/10           | 7/ 1/78-79  | 30,000         |
| City of Woonsocket:                       |                  |             |                |
| Junior High School                        | 4-1/4            | 4/15/75-77  | 32,000         |
| Total Municipalities                      |                  |             | \$ 764,000     |

#### RAILROADS

|                                      |         |            |            |
|--------------------------------------|---------|------------|------------|
| Alabama Great Southern Railroad:     |         |            |            |
| Equipment Trust                      | 5-1/2 % | 8/ 1/79-80 | \$ 198,000 |
| Atchison, Topeka & Sante Fe Railway: |         |            |            |
| General Mortgage                     | 4       | 1/ 1/95    | 100,000    |
| Atlantic Coast Line Railway:         |         |            |            |
| Bonds                                | 5-5/8   | 8/15/79    | 129,000    |
| Baltimore & Ohio Railroad Co.:       |         |            |            |
| First Consolidated Mortgage Series B | 4       | 9/ 1/80    | 350,000    |

| Description                                  | Rate of Interest | Maturity | Carrying Value |
|--|------------------|----------|----------------|
| <u>RAILROADS - continued</u>                 |                  |          |                |
| Chesapeake & Ohio Railway Co.:               |                  |          |                |
| Refunding and Improvement Mortgage, Series E | 3-1/2            | 8/ 1/96  | \$ 9,000       |
| Chicago, Burlington & Quincy Railroad Co.:   |                  |          |                |
| Equipment Trust                              | 4                | 8/ 1/77  | 200,000        |
| Great Northern Railway Co.:                  |                  |          |                |
| Equipment Trust                              | 4-1/4            | 4/15/75  | 115,000        |
| Louisville & Nashville Railroad Co.:         |                  |          |                |
| Equipment Trust Series EE                    | 4                | 3/15/75  | 100,000        |
| Equipment Trust Series RR                    | 5-1/8            | 3/15/75  | 387,000        |
| Equipment Trust Series QQ                    | 4-3/8            | 3/15/77  | 134,000        |
| Norfolk & Western Railway Co.:               |                  |          |                |
| Equipment Trust Series J                     | 4                | 5/ 1/75  | 100,000        |
| Seaboard Airline Railroad Co.:               |                  |          |                |
| Equipment Trust Series X                     | 4-1/8            | 4/15/75  | 100,000        |
| St. Louis & San Francisco Railway Co.:       |                  |          |                |
| Equipment Trust Series O                     | 4-3/8            | 5/15/77  | 200,000        |
| Total Railroads                              |                  |          | \$ 2,122,000   |

#### PUBLIC UTILITIES

|                              |        |          |            |
|------------------------------|--------|----------|------------|
| Alabama Power Co.:           |        |          |            |
| First Mortgage               | 4-7/8% | 5/ 1/89  | \$ 195,000 |
| First Mortgage               | 4-7/8  | 9/ 1/95  | 100,000    |
| Alabama Power Co.            | 8-7/8  | 8/ 1/03  | 1,000,000  |
| American Tel. & Tel. Co.:    |        |          |            |
| Debentures                   | 3-3/8  | 4/ 1/85  | 200,000    |
| Debentures                   | 4.385  | 4/ 1/85  | 125,000    |
| Debentures                   | 3-7/8  | 7/ 1/90  | 100,000    |
| Debentures                   | 4-3/8  | 2/ 1/94  | 250,000    |
| Debentures                   | 5-1/2  | 1/ 1/97  | 250,000    |
| Debentures                   | 4-3/4  | 6/ 1/98  | 100,000    |
| Debentures                   | 5-1/8  | 4/ 1/01  | 200,000    |
| American Tel. & Tel.         | 8.8    | 5/15/05  | 2,000,000  |
| Appalachian Elec. Power Co.: |        |          |            |
| First Mortgage               | 7-1/2  | 12/ 1/98 | 500,000    |
| First Mortgage               | 4-5/8  | 3/ 1/87  | 25,000     |
| First Mortgage               | 4      | 5/ 1/88  | 100,000    |
| Arkansas Power & Light       | 8      | 6/ 1/03  | 1,000,000  |
| Baltimore Gas & Electric Co. | 4-7/8  | 6/ 1/80  | 89,000     |
| Baltimore Gas & Electric Co. | 7-5/8  | 9/ 1/01  | 1,000,000  |
| Bell Telephone Co. of Pa.:   |        |          |            |
| Debentures                   | 4-3/4  | 5/ 1/01  | 200,000    |
| Blackstone Valley Elec. Co.  | 6-1/2  | 6/ 1/97  | 100,000    |
| Brockton Edison              | 8-3/8  | 9/ 1/03  | 500,000    |
| Buffalo Niagara Electric Co. | 2-3/4  | 11/ 1/75 | 500,000    |



PUBLIC UTILITIES-Continued

| <u>Description</u>                             | <u>Rate of Interest</u> | <u>Maturity</u> | <u>Carrying Value</u> |
|--|-------------------------|-----------------|-----------------------|
| Carolina Power & Light Co.                     | 5-1/8                   | 4/ 1/96         | \$ 250,000            |
| Central Illinois Light Co.                     | 4                       | 7/ 1/88         | 100,000               |
| Central Main Power Co.:                        |                         |                 |                       |
| First and General Mortgage                     | 3-3/8                   | 4/ 1/85         | 50,000                |
| First and General Mortgage                     | 4-7/8                   | 5/ 1/ 87        | 48,000                |
| Central Power & Light Co.                      | 4-3/4                   | 4/ 1/89         | 25,000                |
| Chesapeake Potomac Tel.                        | 8-5/8                   | 4/ 1/09         | 500,000               |
| Chesapeake Potomac Tel.                        | 7-1/4                   | 5/ 1/09         | 500,000               |
| Chesapeake Potomac Tel.                        | 8-3/4                   | 3/ 1/10         | 500,000               |
| Cincinnati Gas & Electric                      | 4-1/8                   | 5/ 1/87         | 250,000               |
| Columbia Gas System, Inc.:                     |                         |                 |                       |
| Debentures                                     | 3-5/8                   | 9/ 1/80         | 150,000               |
| Debentures                                     | 4-7/8                   | 10/ 1/90        | 150,000               |
| Columbus & Southern Ohio Commonwealth Edison.: |                         |                 |                       |
| Sinking Fund Debentures                        | 4-1/4                   | 3/ 1/87         | 50,000                |
| Sinking Fund Debentures                        | 3-3/4                   | 3/ 1/88         | 50,000                |
| Sinking Fund Debentures                        | 6-1/4                   | 2/ 1/98         | 850,000               |
| Sinking Fund Debentures                        | 6-3/4                   | 7/ 1/98         | 400,000               |
| Sinking Fund Debentures                        | 6-3/8                   | 10/ 1/98        | 500,000               |
| Sinking Fund Debentures                        | 8                       | 10/15/03        | 1,000,000             |
| Sinking Fund Debentures                        | 3-1/8                   | 10/ 1/04        | 75,000                |
| Connecticut Light & Power Co.:                 |                         |                 |                       |
| First Refunding Mortgage                       | 3                       | 9/ 1/74         | 50,000                |
| First Refunding Mortgage                       | 4-7/8                   | 2/ 1/90         | 100,000               |
| Connecticut Light                              | 8-7/8                   | 10/ 1/00        | 500,000               |
| Consolidated Edison Co.:                       |                         |                 |                       |
| First Refunding Mortgage                       | 4-5/8                   | 12/ 1/93        | 300,000               |
| First Refunding Mortgage                       | 2-5/8                   | 4/ 1/77         | 125,000               |
| First Refunding Mortgage                       | 4-1/4                   | 10/ 1/86        | 300,000               |
| First Refunding Mortgage                       | 5                       | 10/ 1/87        | 225,000               |
| First Refunding Mortgage                       | 4                       | 6/ 1/88         | 100,000               |
| Consolidated Natural Gas Co.:                  |                         |                 |                       |
| Debentures                                     | 4-7/8                   | 6/ 1/82         | 84,000                |
| Debentures                                     | 4-3/8                   | 8/ 1/83         | 200,000               |
| Debentures                                     | 5                       | 2/ 1/85         | 133,000               |
| Debentures                                     | 9                       | 7/ 1/95         | 500,000               |
| Consumers Power Co.:                           |                         |                 |                       |
| First Mortgage                                 | 4-5/8                   | 8/ 1/91         | 250,000               |
| First Mortgage                                 | 4-5/8                   | 8/ 1/89         | 250,000               |
| First Mortgage                                 | 7-1/2                   | 1/ 1/01         | 500,000               |
| Dayton Power & Light Co.:                      |                         |                 |                       |
| Dayton Power & Light Co.                       | 3-1/4                   | 2/ 1/82         | 100,000               |
| Dayton Power & Light Co.                       | 8-1/4                   | 10/ 1/99        | 500,000               |
| First Mortgage                                 | 8                       | 11/ 1/03        | 1,000,000             |
| Delaware Power & Light Co.                     | 3-7/8                   | 6/ 1/88         | 250,000               |
| Delmarva Power                                 | 7                       | 11/ 1/98        | 250,000               |
| Detroit Edison Co.:                            |                         |                 |                       |
| Gen. Ref. Mortgage                             | 3-3/8                   | 11/15/76        | 200,000               |
| Gen. Ref. Mortgage                             | 3-1/4                   | 5/15/80         | 100,000               |
| Duke Power Co.:                                |                         |                 |                       |
| First Refunding Mortgage                       | 3                       | 1/ 1/75         | 100,000               |
| First Refunding Mortgage                       | 4-1/2                   | 2/ 1/92         | 100,000               |

PUBLIC UTILITIES - Continues

| <u>Description</u>                   | <u>Rate of Interest</u> | <u>Maturity</u> | <u>Carrying Value</u> |
|--------------------------------------|-------------------------|-----------------|-----------------------|
| Duke Power                           | 8-1/2                   | 3/ 1/00         | \$ 1,000,000          |
| Duquesne Light Co.                   | 3-1/8                   | 7/ 1/84         | 60,000                |
| Duquesne Light Co.                   | 7-1/4                   | 1/ 1/03         | 500,000               |
| Duquesne Light Co.                   | 7-1/4                   | 1/ 1/03         | 500,000               |
| Florida Power & Light Co.:           |                         |                 |                       |
| First Mortgage                       | 3-1/8                   | 6/ 1/78         | 100,000               |
| First Mortgage                       | 4-5/8                   | 3/ 1/95         | 100,000               |
| Florida Power Corp.                  | 7-3/8                   | 6/ 1/02         | 1,000,000             |
| First Mortgage                       | 4-3/4                   | 10/ 1/90        | 91,000                |
| First Mortgage                       | 4-7/8                   | 11/ 1/95        | 250,000               |
| First Mortgage                       | 7                       | 12/ 1/98        | 250,000               |
| Florida Power                        | 7-5/8                   | 1/10/01         | 250,000               |
| General Telephone Co. of California: |                         |                 |                       |
| First Mortgage                       | 4-1/2                   | 9/ 1/86         | 50,000                |
| First Mortgage                       | 5                       | 6/ 1/87         | 50,000                |
| First Mortgage                       | 5                       | 12/ 1/95        | 100,000               |
| Debentures                           | 5-3/4                   | 3/ 1/92         | 200,000               |
| Debentures                           | 7-1/8                   | 12/ 1/98        | 500,000               |
| Georgia Power                        | 7-3/8                   | 4/ 1/01         | 500,000               |
| Gulf State Utilities Co.:            |                         |                 |                       |
| First Mortgage                       | 5-1/4                   | 12/ 1/89        | 100,000               |
| First Mortgage                       | 4-7/8                   | 7/ 1/90         | 200,000               |
| Gulf State                           | 7-7/8                   | 12/ 1/00        | 500,000               |
| Hartford Electric                    | 9-1/4                   | 5/ 1/00         | 500,000               |
| Hartford Electric                    | 7-5/8                   | 12/ 1/01        | 500,000               |
| Houston Lighting & Power.:           |                         |                 |                       |
| First Mortgage                       | 4-3/4                   | 11/ 1/87        | 25,000                |
| First Mortgage                       | 4-7/8                   | 8/ 1/89         | 75,000                |
| Idaho Power Co.                      | 5                       | 5/15/89         | 250,000               |
| Illinois Bell Telephone Co.:         |                         |                 |                       |
| First Mortgage                       | 3-1/8                   | 4/ 1/84         | 53,000                |
| First Mortgage                       | 4-1/4                   | 3/ 1/88         | 100,000               |
| First Mortgage                       | 4-3/8                   | 3/ 1/94         | 100,000               |
| First Mortgage                       | 6                       | 7/ 1/98         | 250,000               |
| First Mortgage                       | 8                       | 6/ 1/05         | 500,000               |
| Indiana & Michigan Elec. Co.:        |                         |                 |                       |
| Sinking Fund Debentures              | 5-1/8                   | 6/ 1/86         | 100,000               |
| First Mortgage                       | 4-3/4                   | 11/ 1/88        | 50,000                |
| First Mortgage                       | 7-7/8                   | 12/ 1/00        | 500,000               |
| Iowa Electric                        | 7-7/8                   | 1/ 1/91         | 200,000               |
| Iowa Power & Light Co.               | 4-5/8                   | 2/ 1/99         | 500,000               |
| Kansas City Power                    | 7-1/8                   | 1/ 1/91         | 250,000               |
| Kansas Gas & Electric Co.            | 4-5/8                   | 4/ 1/04         | 1,400,000             |
| Kentucky Utilities Co.               | 9-1/8                   |                 |                       |
| Long Island Lighting Co.:            |                         |                 |                       |
| First Mortgage                       | 3-5/8                   | 11/ 1/85        | 50,000                |
| First Mortgage                       | 3-5/8                   | 12/ 1/76        | 275,000               |
| First Mortgage                       | 5                       | 4/ 1/90         | 200,000               |
| Louisiana Power & Lights             | 7-1/2                   | 11/ 1/02        | 500,000               |
| Louisiana Power & Light              | 9-3/4                   | 5/ 1/04         | 1,000,000             |
| Madison Gas & Electric               |                         |                 |                       |

PUBLIC UTILITIES - Continued

| <u>Description</u>                  | <u>Rate of Interest</u> | <u>Maturity</u> | <u>Carrying Value</u> |
|-------------------------------------|-------------------------|-----------------|-----------------------|
| Metropolitan Edison                 | 6-7/8 %                 | 10/ 1/92        | \$ 295,000            |
| Michigan Bell Telephone Co.:        |                         |                 |                       |
| Debentures                          | 6-3/8                   | 2/ 1/05         | 500,000               |
| Debentures                          | 4-5/8                   | 8/ 1/96         | 175,000               |
| Debentures                          | 8-5/8                   | 2/ 1/10         | 500,000               |
| Michigan Bell Telephone             |                         | 8/ 1/76         | 150,000               |
| Michigan Consolidated Co.           | 3-1/2                   | 8/ 1/76         | 150,000               |
| Minnesota Power & Light Co.         | 4-3/4                   | 3/ 1/87         | 50,000                |
| Monogahela Power Co.                | 3                       | 9/ 1/77         | 50,000                |
| Mountain State T. & T.              | 8                       | 10/ 1/09        | 1,000,000             |
| Narragansett Electric Co.:          |                         |                 |                       |
| First Mortgage                      | 3                       | 9/ 1/74         | 121,000               |
| First Mortgage                      | 3-1/2                   | 3/ 1/86         | 200,000               |
| New Bedford Gas                     | 8-1/8                   | 12/ 1/95        | 472,000               |
| New England Power                   | 4                       | 6/ 1/88         | 200,000               |
| New England Power                   | 7-5/8                   | 7/ 1/02         | 1,000,000             |
| New England Power                   | 8-5/8                   | 8/ 1/03         | 1,000,000             |
| New England Tel & Tel.              | 7-3/8                   | 10/15/97        | 700,000               |
| New Jersey Bell Telephone Co.       | 3-1/4                   | 5/ 1/84         | 100,000               |
| New Jersey Bell Telephone Co.       | 4-7/8                   | 11/ 1/00        | 100,000               |
| New Jersey Power & Light Co.        | 5                       | 10/ 1/90        | 100,000               |
| New Orleans Public Service          | 5                       | 6/ 1/91         | 200,000               |
| New York Power & Light Co.          | 2-3/4                   | 3/ 1/75         | 100,000               |
| New York State Electric & Gas Corp. | 4-5/8                   | 5/ 1/91         | 200,000               |
| New York Telephone Co.:             |                         |                 |                       |
| Refunding Mortgage                  | 3-1/8                   | 2/ 1/78         | 150,000               |
| Refunding Mortgage                  | 3                       | 10/15/89        | 110,000               |
| Refunding Mortgage                  | 4-1/8                   | 7/ 1/93         | 100,000               |
| Refunding Mortgage                  | 4-1/8                   | 7/ 1/93         | 25,000                |
| Refunding Mortgage                  | 4-7/8                   | 1/ 1/06         | 250,000               |
| Refunding Mortgage                  | 7-1/2                   | 3/ 1/09         | 500,000               |
| Niagara Mohawk Power Co.:           |                         |                 |                       |
| General Mortgage                    | 3-7/8                   | 1/ 1/88         | 300,000               |
| General Mortgage                    | 4-3/4                   | 4/ 1/90         | 200,000               |
| Northern Illinois Gas Co.           | 5                       | 6/ 1/84         | 151,000               |
| Northern Illinois Gas               | 8                       | 7/ 1/98         | 1,000,000             |
| Northern Natural Gas:               |                         |                 |                       |
| Debentures                          | 7-1/4                   | 5/ 1/88         | 300,000               |
| Debentures                          | 7                       | 11/ 1/88        | 250,000               |
| Northern States Power Co.:          |                         |                 |                       |
| First Mortgage                      | 2-3/4                   | 10/ 1/75        | 50,000                |
| First Mortgage                      | 4                       | 7/ 1/88         | 100,000               |
| First Mortgage                      | 6-3/4                   | 6/ 1/98         | 500,000               |
| Northwest Bell                      | 7                       | 1/ 1/09         | 500,000               |
| Northwestern Bell Tel.              | 6-1/4                   | 1/ 1/09         | 500,000               |
| Ohio Bell Telephone Co.             | 5                       | 2/ 1/06         | 250,000               |
| Ohio Edison Co.:                    |                         |                 |                       |
| First Mortgage                      | 2-3/4                   | 4/ 1/75         | 75,000                |
| First Mortgage                      | 4-3/4                   | 6/ 1/91         | 100,000               |
| Ohio Power Co.:                     | 6-5/8                   | 10/ 1/79        | 500,000               |
| First Mortgage                      | 4-7/8                   | 11/ 1/87        | 100,000               |
| Oklahoma Gas & Elec. Co.:           |                         |                 |                       |
| First Mortgage                      | 2-3/4                   | 2/ 1/75         | 100,000               |
| First Mortgage                      | 3-7/8                   | 6/ 1/88         | 200,000               |
| First Mortgage                      | 5-1/8                   | 1/ 1/97         | 250,000               |

PUBLIC UTILITIES - Continued

| <u>Description</u>                  | <u>Rate of Interest</u> | <u>Maturity</u> | <u>Carrying Value</u> |
|-------------------------------------|-------------------------|-----------------|-----------------------|
| Pacific Gas & Electric Co.:         |                         |                 |                       |
| First & Ref. Mortgage               | 4-1/2 %                 | 12/ 1/86        | \$ 50,000             |
| First & Ref. Mortgage               | 3-3/8                   | 12/ 1/88        | 50,000                |
| First & Ref. Mortgage               | 4-1/2                   | 6/ 1/93         | 200,000               |
| First & Ref. Mortgage               | 4-5/8                   | 6/ 1/97         | 150,000               |
| First & Ref. Mortgage               | 5-3/8                   | 6/ 1/98         | 250,000               |
| Pacific Power & Light Co.           | 5                       | 10/ 1/95        | 100,000               |
| Pacific Tel. & Tel. Co.:            |                         |                 |                       |
| Debentures                          | 4-3/8                   | 8/15/88         | 300,000               |
| Debentures                          | 3-1/8                   | 11/15/89        | 100,000               |
| Debentures                          | 3-5/8                   | 8/15/91         | 50,000                |
| Debentures                          | 4-5/8                   | 6/ 1/00         | 150,000               |
| Pennsylvania Electric Co.:          | 7-7/8                   | 12/ 1/01        | 1,000,000             |
| First Mortgage                      | 2-3/4                   | 6/ 7/76         | 100,000               |
| First Mortgage                      | 3-1/8                   | 3/ 1/84         | 100,000               |
| Pennsylvania Power & Light Co.      | 3                       | 10/ 1/75        | 650,000               |
| Peoples Gas Light & Coke Co.        | 4-5/8                   | 5/ 1/86         | 182,000               |
| Philadelphia Electric Co.:          |                         |                 |                       |
| First Mortgage                      | 5                       | 10/ 1/89        | 100,000               |
| First Mortgage                      | 3-1/8                   | 4/ 1/85         | 80,000                |
| Philadelphia Electric               | 8                       | 8/15/75         | 500,000               |
| Potomac Elec. Power Co.             | 8-3/8                   | 11/15/09        | 1,500,000             |
| Public Service Co. of Colorado:     |                         |                 |                       |
| First Mortgage                      | 4-3/8                   | 5/ 1/87         | 100,000               |
| First Mortgage                      | 4-1/2                   | 10/ 1/91        | 200,000               |
| Public Service Ind.                 | 7-5/8                   | 1/ 1/01         | 1,000,000             |
| Public Service Co. of New Hampshire | 3-1/4                   | 11/ 1/84        | 96,000                |
| Public Service Elec. & Gas Co.:     |                         |                 |                       |
| Debentures                          | 4-5/8                   | 3/ 1/77         | 301,000               |
| Debentures                          | 5-3/4                   | 6/ 1/91         | 200,000               |
| First Ref. Mortgage                 | 4-3/4                   | 9/ 1/95         | 250,000               |
| First Ref. Mortgage                 | 4-5/8                   | 8/ 1/88         | 65,000                |
| First Ref. Mortgage                 | 5-1/8                   | 6/ 1/89         | 200,000               |
| Southern Bell                       | 2-7/8                   | 7/ 1/87         | 250,000               |
| Southern California Edison Co.:     |                         |                 |                       |
| First Mortgage                      | 3-1/8                   | 8/15/76         | 130,000               |
| First Ref. Mortgage                 | 4-3/8                   | 9/ 1/85         | 100,000               |
| First Ref. Mortgage                 | 5-1/4                   | 5/15/91         | 250,000               |
| First Ref. Mortgage                 | 6-3/8                   | 2/15/93         | 400,000               |
| South Central Bell Tel.             | 8-1/2                   | 11/ 1/01        | 500,000               |
| Southern New England Tele.          | 8-1/8                   | 5/ 1/08         | 500,000               |
| Southwestern Bell Tel. Co.:         |                         |                 |                       |
| Debentures                          | 3-1/8                   | 5/ 1/83         | 100,000               |
| Debentures                          | 8-3/4                   | 8/ 1/07         | 1,000,000             |
| Debentures                          | 6-3/4                   | 6/ 1/ 08        | 250,000               |
| Debentures                          | 8-1/4                   | 9/ 1/05         | 750,000               |
| Southwest Bell Telephone            | 6-7/8                   | 2/ 1/11         | 500,000               |
| Southwest Bell Telephone            | 8                       | 2/15/04         | 2,000,000             |
| Southern Bell Tel. & Tel            | 8-1/4                   | 3/ 1/14         | 2,000,000             |
| Southwestern Bell Tel               |                         |                 |                       |



PUBLIC UTILITIES - Continued

| Description                       | Rate of Interest | Maturity | Carrying Value |
|-----------------------------------|------------------|----------|----------------|
| Southwestern Public Service Co.   | 3.35 %           | 2/ 1/81  | \$ 50,000      |
| Tampa Electric Co.                | 4-1/4            | 7/ 1/88  | 150,000        |
| Tennessee Gas Transmission Co.:   |                  |          | 50,000         |
| First Mortgage Pipeline           | 3-7/8            | 2/ 1/76  | 58,000         |
| First Mortgage Pipeline           | 4-3/4            | 11/ 1/76 | 78,000         |
| First Mortgage Pipeline           | 5-1/4            | 11/ 1/79 | 500,000        |
| Tennessee Valley Authority        | 8-1/4            | 10/15/94 | 1,000,000      |
| Tennessee Valley Authority        | 7-3/4            | 7/ 1/98  | 100,000        |
| Texas Electric Service Co.        | 4-1/2            | 2/ 1/95  | 250,000        |
| Texas Power & Light Co.           | 4-1/2            | 1/ 1/91  | 1,000,000      |
| Texas Power & Light Co.           | 7-1/2            | 2/ 1/02  |                |
| Union Electric Co. of Missouri:   |                  |          | 100,000        |
| First Mortgage                    | 4-3/8            | 3/ 1/88  | 500,000        |
| First Mortgage                    | 7-3/8            | 5/ 1/99  | 200,000        |
| The Union Light, Heat & Power Co. | 5                | 7/ 1/89  | 88,000         |
| United Gas Corp.                  | 5                | 11/ 1/80 | 100,000        |
| Utah Power & Light Co.            | 4-7/8            | 9/ 1/90  |                |
| Virginia Electric & Power Co.:    |                  |          | 200,000        |
| First Ref. Mortgage               | 3-7/8            | 6/ 1/88  | 150,000        |
| First Ref. Mortgage               | 4-5/8            | 9/ 1/90  | 500,000        |
| Virginia Electric                 | 7-3/8            | 3/ 1/01  | 100,000        |
| Washington Gas & Light Co.        | 4-7/8            | 5/ 1/86  |                |
| West Penn Power Co.:              |                  |          | 100,000        |
| First Mortgage                    | 2-7/8            | 3/ 1/79  | 275,000        |
| First Mortgage                    | 4-7/8            | 12/ 1/95 | 500,000        |
| West Penn. Power                  | 9-5/8            | 6/ 1/00  | 250,000        |
| Western Union Telegraph Co.       | 5-1/4            | 2/ 1/87  | 250,000        |
| West Texas Utilities              | 7-1/4            | 1/ 1/99  | 1,000,000      |
| Wisconsin Power & Light Co.       | 8                | 7/ 1/01  | 100,000        |
| Wisconsin Public Service Corp.    | 3-1/4            | 10/ 1/84 | 500,000        |
| Wisconsin Telephone Co.:          | 7-1/4            | 5/15/99  | 25,000         |
| Debentures                        | 5-1/2            | 7/ 1/92  |                |

Total Public Utilities

\$ 73,080,000

BANKS

|                            |       |         |            |
|----------------------------|-------|---------|------------|
| The Chase Manhattan Bank:  | 4.6   | 6/ 2/90 | \$ 600,000 |
| Convertible Notes          | 4-7/8 | 5/ 1/93 | 500,000    |
| Philadelphia National Bank | 5-1/2 | 3/ 1/92 | 200,000    |

Total Banks

\$ 1,300,000

INDUSTRIAL AND MISCELLANEOUS

|                             |       |         |            |
|-----------------------------|-------|---------|------------|
| American Car & Foundry Co.: |       |         | \$ 117,000 |
| Equipment Trust             | 5-1/2 | 4/15/82 | 300,000    |
| Allied Chemical & Dye Corp. | 3-1/2 | 4/ 1/78 | 50,000     |
| Alluminum Co. of American   | 3-7/8 | 4/ 1/83 |            |

INDUSTRIAL AND MISCELLANEOUS - Continued

| Description                                   | Rate of Interest | Maturity | Carrying Value |
|---|------------------|----------|----------------|
| American Can Co.:                             |                  |          | \$ 200,000     |
| Debentures                                    | 3-3/4            | 4/ 1/88  | 100,000        |
| Debentures                                    | 4-3/4            | 7/15/90  | 250,000        |
| American Tobacco Co.                          | 5-7/8            | 7/ 1/92  | 150,000        |
| Anheuser Busch, Inc.                          | 4-1/2            | 3/ 1/89  | 250,000        |
| Avco Corp.                                    | 7-1/2            | 11/ 1/93 | 250,000        |
| Baxter Laboratories                           | 4-3/8            | 11/ 1/91 |                |
| Beneficial Finance Co.:                       |                  |          | 100,000        |
| Debentures                                    | 5                | 11/ 1/77 | 100,000        |
| Debentures                                    | 4-3/4            | 5/15/93  |                |
| Bethlehem Steel Corp.:                        |                  |          | 100,000        |
| Consolidated Mortgage Sinking Fund, Series K. | 3                | 1/ 1/79  | 350,000        |
| Debentures                                    | 5-4              | 1/15/92  | 172,000        |
| Burroughs Corporation                         | 4-3/8            | 7/ 1/83  | 300,000        |
| Caterpillar Tractor Co.                       | 4-1/2            | 11/ 1/77 |                |
| Commercial Credit Corp.:                      |                  |          | 150,000        |
| Debentures                                    | 4-7/8            | 9/15/87  | 100,000        |
| Debentures                                    | 4-1/4            | 10/ 1/74 | 248,000        |
| Continental Can Co.                           | 4-5/8            | 10/ 1/85 | 161,000        |
| Continental Oil Co.                           | 3                | 11/ 1/84 | 200,000        |
| Dana Corp.                                    | 6                | 12/ 1/91 | 500,000        |
| Dow Chemical Co.                              | 7-3/4            | 7/15/99  | 1,000,000      |
| Dow Chemical Co.                              | 8-7/8            | 5/ 1/00  | 250,000        |
| Eaton, Yale & Towne, Inc.                     | 5-1/2            | 3/15/92  | 200,000        |
| Family Finance Corp.                          | 5                | 10/15/81 | 250,000        |
| Food Machine Chemical                         | 4-1/4            | 7/15/92  | 500,000        |
| Ford Motor Co.                                | 8-1/8            | 1/15/90  |                |
| General American Transportation Corp.:        |                  |          | 77,000         |
| Equipment Trust                               | 4-7/8            | 5/ 1/80  | 125,000        |
| Equipment Trust                               | 4.6              | 11/15/85 | 250,000        |
| General Aniline & Film Corp.                  | 5-7/8            | 12/ 1/91 | 300,000        |
| General Electric Co.                          | 3-1/2            | 5/ 1/78  |                |
| General Motors Acceptance Corp.:              |                  |          | 100,000        |
| Debentures                                    | 3-5/8            | 9/ 1/75  | 325,000        |
| Debentures                                    | 5                | 8/15/77  | 200,000        |
| Debentures                                    | 4                | 3/ 1/79  | 200,000        |
| Debentures                                    | 4-7/8            | 12/ 1/87 | 250,000        |
| W.T. Grant Co.                                | 4-3/4            | 1/ 1/87  | 250,000        |
| Gulf Oil Corp.                                | 5.35             | 6/15/91  |                |
| Household Finance Corp.:                      |                  |          | 150,000        |
| Debentures                                    | 4-7/8            | 9/15/93  | 250,000        |
| Debentures                                    | 5                | 7/ 1/92  | 166,000        |
| Debentures                                    | 6-3/4            | 5/15/83  | 350,000        |
| Industrial Equipment Trust                    | 4-5/8            | 11/ 1/79 | 400,000        |
| International Harvester Co.                   | 7-1/8            | 4/15/93  | 500,000        |
| Lakehead Pipeline Co.                         | 6                | 5/ 1/92  | 200,000        |
| Liggett & Myers Tobacco Co.                   | 5-1/2            | 6/ 1/78  |                |
| Local Finance Corp.                           |                  |          |                |

INDUSTRIAL AND MISCELLANEOUS - continued

| Description                        | Rate of Interest | Maturity | Carrying Value      |
|------------------------------------|------------------|----------|---------------------|
| Lone Star Cement Co.               | 4-7/8            | 7/ 1/90  | \$ 250,000          |
| MacMillan L. T. D.                 | 6-1/2            | 7/15/92  | 500,000             |
| Montgomery Ward & Co.              | 4-7/8            | 8/ 1/90  | 250,000             |
| National Cash Register             | 5.6              | 6/15/91  | 500,000             |
| National Tea Co.                   | 5                | 8/ 1/77  | 28,000              |
| North American Car Corp.           | 4.7              | 12/15/74 | 50,000              |
| Nabisco                            | 7-3/4            | 5/ 1/01  | 500,000             |
| Northwest Bancorporation           | 4-3/4            | 10/15/90 | 250,000             |
| The Outlet Co.                     | 5-1/2            | 7/ 1/86  | 100,000             |
| Pan American Airlines              | 5-1/4            | 2/15/89  | 200,000             |
| Pittsburg Plate Glass              | 9                | 6/15/95  | 500,000             |
| Proctor & Gamble Co.               | 3-7/8            | 9/ 1/81  | 100,000             |
| Scott Paper Co.                    | 8-7/8            | 6/ 1/00  | 1,000,000           |
| Sears, Roebuck Acceptance Corp.:   |                  |          |                     |
| Debentures                         | 5                | 7/15/82  | 50,000              |
| Debentures                         | 4-3/4            | 8/ 1/83  | 722,000             |
| Debentures                         | 4-5/8            | 8/ 1/86  | 500,000             |
| Shell Oil                          | 5-3/4            | 8/ 1/92  | 600,000             |
| Standard Oil of California         | 4-1/2            | 10/ 1/93 | 192,000             |
| Standard Oil of Indiana            | 3-5/8            | 5/ 1/83  | 300,000             |
| Texaco, Inc.                       | 5-7/8            | 5/ 1/92  | 200,000             |
| Textron, Inc.                      | 7-1/8            | 12/ 1/82 | 120,000             |
| Trailer Train Co.                  | 4                | 3/ 1/92  | 200,000             |
| Trans. World Airlines              | 5.3              | 5/ 1/97  | 1,000,000           |
| Union Carbide Corp.                | 5                | 2/ 1/88  | 100,000             |
| United Nuclear                     | 4                | 7/15/83  | 350,000             |
| United States Steel Corp.          | 8-3/8            | 10/ 1/95 | 1,000,000           |
| Western Electric                   | 5.2              | 5/ 1/91  | 500,000             |
| Weyerhaeuser Co.                   | 6                | 11/ 1/95 | 11,400              |
| Xerox Corp.                        |                  |          |                     |
| Total Industrial and Miscellaneous |                  |          | <u>\$20,514,400</u> |

COMMON STOCKS

|   | Number of Shares | Cost         |
|---|------------------|--------------|
| <u>BANKS AND HOLDING COMPANIES</u>        |                  |              |
| Bank of America                           | 22,344           | 376,228.65   |
| B.T. New York Corp.                       | 7,000            | 301,812.52   |
| Chase Manhattan                           | 17,000           | 543,992.25   |
| Chemical Bank New York Trsut              | 6,000            | 210,886.22   |
| Conill Corporation                        | 16,456           | 270,095.84   |
| First National Bank - Boston              | 15,196           | 355,743.33   |
| First National City - N.Y.                | 40,000           | 432,324.33   |
| Industrial National Bank                  | 66,285           | 431,281.75   |
| Manufacturers Hanover                     | 10,000           | 126,013.13   |
| J. P. Morgan                              | 22,000           | 302,420.84   |
| R.I. Hospital Trust National              | 49,784           | 722,466.03   |
| State Street Bank & Trust                 | 5,670            | 113,635.00   |
| U.S. Trust Co., N.Y.                      | 11,999           | 242,831.25   |
| Western Bancorporation                    | 22,900           | 696,242.18   |
| <u>CHEMICALS &amp; DRUGS</u>              |                  |              |
| American Cyanamid                         | 35,000           | 972,539.88   |
| American Home                             | 21,000           | 363,047.56   |
| Becton Dickinson                          | 22,000           | 895,561.68   |
| Bristol Myers                             | 17,000           | 1,094,505.50 |
| Dow Chemical Corp.                        | 9,000            | 466,430.25   |
| E.I. Dupont deNemours                     | 4,000            | 479,549.27   |
| Merck & Co., Inc.                         | 14,000           | 452,834.61   |
| Mosanto Co.                               | 15,999           | 690,827.60   |
| Pfizer (Chas.) Co.                        | 26,000           | 784,093.14   |
| G.D. Searle & Co.                         | 30,000           | 717,250.33   |
| Union Carbide                             | 29,000           | 1,281,771.25 |
| Warner Lambert                            | 24,000           | 957,970.62   |
| <u>CONSTRUCTION MATERIAL &amp; EQUIP.</u> |                  |              |
| Caterpillar Tractor                       | 10,000           | 436,893.36   |
| Johns Manville                            | 11,000           | 275,175.72   |
| U. S. Gypsum Co.                          | 34,000           | 1,030,315.10 |
| Weyerhaeuser                              | 29,000           | 621,246.16   |
| <u>ELECTRONICS</u>                        |                  |              |
| Burroughs Corporation                     | 6,000            | 548,040.80   |
| General Electric Co.                      | 24,000           | 992,590.23   |
| Hewett - Packard                          | 6,000            | 355,885.06   |
| Honeywill, Inc.                           | 7,000            | 557,559.67   |
| International Bus                         | 6,249            | 655,541.68   |
| Radio Corp. of America                    | 19,000           | 480,115.75   |
| Texas Instruments                         | 6,000            | 267,726.29   |
| Westinghouse Electric                     | 16,000           | 381,141.42   |



|                        | Number<br>of<br>Shares | Cost         |
|------------------------|------------------------|--------------|
| <u>FOOD</u>            |                        |              |
| Campbell Soup Co.      | 14,000                 | 320,455.28   |
| Corn Products Co.      | 23,000                 | 811,511.30   |
| General Foods          | 36,000                 | 1,098,476.92 |
| Squibb, Beech-Nut Inc. | 18,000                 | 482,156.98   |

INSURANCE

|                             |        |            |
|-----------------------------|--------|------------|
| Aetna Life                  | 10,000 | 218,587.40 |
| Chubb Corporation           | 18,000 | 445,360.02 |
| Connecticut General Life    | 17,500 | 704,348.58 |
| Franklin Life Insurance Co. | 15,000 | 385,833.31 |
| I N A Corporation           | 11,000 | 443,223.15 |
| Liberty Nat'l Life          | 22,666 | 498,305.06 |
| Transamerica Corp.          | 26,000 | 311,722.56 |
| U. S. Fidelity              | 11,400 | 335,678.70 |

METALS & STEEL

|                        |        |            |
|------------------------|--------|------------|
| International Nickel   | 13,000 | 352,745.16 |
| Kennecott Copper Corp. | 14,000 | 338,477.00 |

MISCELLANEOUS

|                             |        |            |
|-----------------------------|--------|------------|
| American Hospital Supply    | 9,000  | 155,520.21 |
| Firestone Tire & Rubber Co. | 21,000 | 555,599.79 |
| Foxboro Co.                 | 18,000 | 498,650.07 |
| Friendly Ice Cream Corp.    | 15,000 | 395,204.29 |
| General Motors Corp.        | 16,000 | 964,364.33 |
| Gellette Co.                | 7,000  | 301,406.94 |
| Minnesota Mining            | 14,000 | 701,147.83 |
| National Cash               | 30,000 | 996,840.00 |
| Owens Corning               | 14,000 | 598,751.51 |
| Proctor & Gamble Co.        | 5,000  | 223,044.57 |
| Xerox                       | 8,000  | 789,681.49 |

PETROLEUM

|                        |        |              |
|------------------------|--------|--------------|
| Atlantic Richfield Co. | 15,000 | 905,833.74   |
| Exxon Corporation      | 11,000 | 712,423.95   |
| Gulf Oil Corp.         | 32,000 | 860,965.45   |
| Mobil Oil              | 10,000 | 333,431.44   |
| Phillips Petroleum Co. | 19,000 | 633,136.40   |
| Shell Oil Co.          | 13,000 | 631,145.70   |
| Standard Oil of Calif. | 26,000 | 759,284.61   |
| Standard Oil of Ind.   | 13,000 | 696,645.58   |
| Standard Oil of Ohio   | 18,000 | 720,245.06   |
| Texaco, Inc.           | 35,000 | 1,090,211.70 |

PAPER AND PAPER PRODUCTS

|                         |        |            |
|-------------------------|--------|------------|
| Crown Zellerback Corp.  | 12,000 | 357,787.79 |
| International Paper Co. | 15,000 | 512,127.98 |
| Kimberly Clark Corp.    | 15,000 | 494,594.01 |
| Scott Paper Co.         | 36,000 | 751,776.24 |

PHOTOGRAPHIC PRODUCTS

|                   |       |            |
|-------------------|-------|------------|
| Eastman Kodak Co. | 9,000 | 409,080.02 |
| Polaroid Corp.    | 6,000 | 408,051.65 |

RETAIL STORES

|                       |        |            |
|-----------------------|--------|------------|
| Montgomery Ward & Co. | 12,000 | 243,019.90 |
| J.C. Penney Co.       | 10,000 | 306,210.30 |
| Sears, Roebuck & Co.  | 7,500  | 310,396.35 |

PUBLIC UTILITIES

|                            |        |            |
|----------------------------|--------|------------|
| Allegheny Power            | 26,000 | 596,211.74 |
| American Electric          | 23,200 | 694,040.91 |
| American Tel. & Tel        | 17,000 | 900,611.44 |
| Arizona Public Service     | 27,000 | 645,956.71 |
| Central & Southwest        | 34,000 | 678,227.00 |
| Cleveland Electric         | 18,000 | 619,242.23 |
| Commonwealth Edison        | 16,999 | 561,153.11 |
| Consumers Power Co.        | 19,000 | 584,647.57 |
| Florida Power & Light      | 27,000 | 927,935.93 |
| Florida Power              | 12,000 | 482,268.26 |
| General Public Utility     | 24,000 | 609,974.42 |
| Gulf State                 | 22,000 | 458,359.43 |
| Iowa Electric              | 20,000 | 387,012.34 |
| Iowa Power                 | 8,000  | 188,169.39 |
| Middle So. Utilities, Inc. | 17,000 | 306,334.40 |
| Niagara Mohawk Power       | 28,000 | 511,923.35 |
| Northeast Utilities        | 20,000 | 290,941.45 |
| Northern States Power Co.  | 29,501 | 843,087.87 |
| Ohio Edison                | 22,000 | 535,134.57 |
| Panhandle E. Pipeline      | 17,000 | 611,751.40 |
| Southern Company           | 34,000 | 791,172.09 |
| Texas Gas Transmission     | 19,000 | 624,729.68 |
| Texas Utilities Co.        | 30,000 | 751,610.58 |
| Union Electric Co.         | 23,000 | 447,211.43 |
| Virginia Electric          | 35,000 | 771,255.66 |

Total Common Stocks

\$59,767,010.00



PREFERRED STOCKS

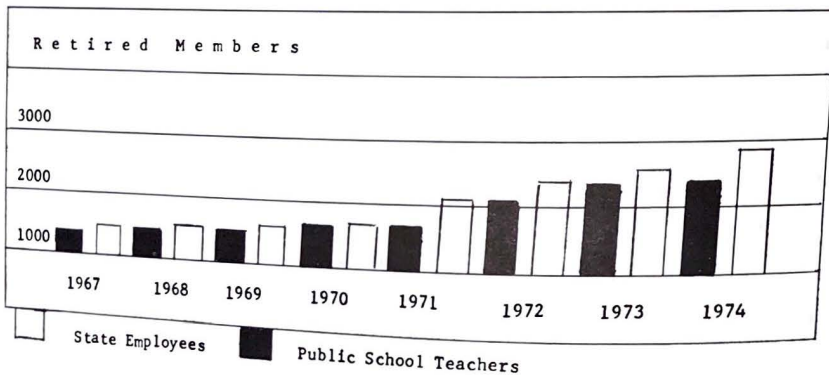
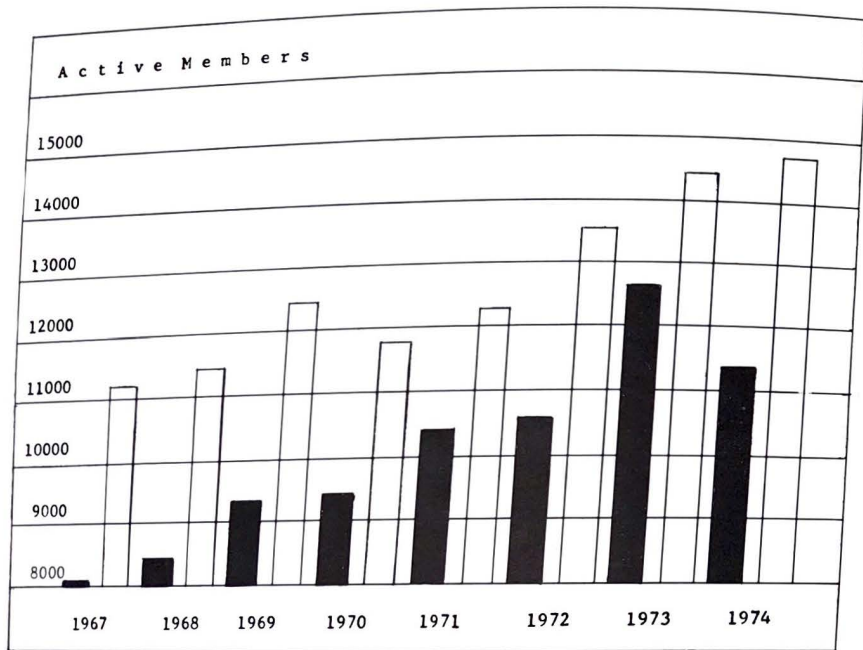
|                        | <u>Number<br/>of<br/>Shares</u> | <u>Cost</u>           |
|------------------------|---------------------------------|-----------------------|
|                        | 3,000                           | 67,757.75             |
| American Express Co.   | 1,000                           | 52,250.00             |
| American Tel. & Tel.   | 4,000                           | 94,226.57             |
| Atlantic Richfield Co. | 6,000                           | 175,456.15            |
| Champion International | 11,000                          | 356,174.80            |
| C N A Financial        | 3,000                           | 84,162.90             |
| I T T Corporation      | 363                             | 12,247.33             |
| Northern Illinois Gas  | 2,500                           | 185,259.10            |
| Quaker Oats Co.        | 6,000                           | <u>313,325.31</u>     |
| Woolworth, F.W.        |                                 |                       |
| Total Preferred Stocks |                                 | <u>\$1,340,859.91</u> |

MUTUAL FUNDS

|                       | <u>Number<br/>of<br/>Shares</u> | <u>Cost</u>          |
|-----------------------|---------------------------------|----------------------|
|                       | 60,062                          | 251,030.88           |
| Affiliated Fund, Inc. | 28,337                          | 219,691.28           |
| Mass, Investors Trust | 20,353                          | <u>152,568.00</u>    |
| Putnam Income         |                                 |                      |
| Total Mutual Funds    |                                 | <u>\$ 623,290.16</u> |

*Highlights*

MEMBERSHIP STATISTICS



STATE EMPLOYEES

TABLE 1. Number of STATE EMPLOYEES and Annual Salaries - Classified by 5-year Age Groups.

| Age Group      | M A L E      |                     | F E M A L E  |                      |
|----------------|--------------|---------------------|--------------|----------------------|
|                | Number       | Annual Salaries     | Number       | Annual Salaries      |
| Under 25       | 665          | \$5,096,543         | 1,459        | \$ 5,572,226         |
| 25 to 29 incl. | 510          | 4,700,654           | 369          | 3,309,730            |
| 30 to 34 incl. | 570          | 5,400,862           | 328          | 2,288,362            |
| 35 to 39 incl. | 750          | 7,279,878           | 463          | 3,278,400            |
| 40 to 44 incl. | 865          | 8,938,684           | 708          | 5,126,078            |
| 45 to 49 incl. | 884          | 8,560,695           | 956          | 6,734,031            |
| 50 to 54 incl. | 997          | 8,777,490           | 1,066        | 7,964,415            |
| 55 to 59 incl. | 1,020        | 9,482,035           | 984          | 6,902,753            |
| 60 to 64 incl. | 876          | 8,396,324           | 611          | 4,797,028            |
| 65 and over    | 637          | 5,944,899           | 357          | 3,053,903            |
| <b>Totals</b>  | <b>7,774</b> | <b>\$72,578,064</b> | <b>7,301</b> | <b>\$ 52,026,926</b> |

TABLE 2. Number of STATE EMPLOYEES and Annual Salaries - Classified by 5 year Service Groups.

| Length of Service   | M A L E      |                     | F E M A L E  |                      |
|---------------------|--------------|---------------------|--------------|----------------------|
|                     | Number       | Annual Salaries     | Number       | Annual Salaries      |
| Less than 5 years   | 2,648        | \$20,766,960        | 2,897        | \$ 18,041,619        |
| 5 to 9 yrs incl.    | 1,979        | 17,911,114          | 2,076        | 13,179,699           |
| 10 to 14 yrs. incl. | 1,268        | 12,525,044          | 993          | 7,875,441            |
| 15 to 19 yrs. incl. | 894          | 9,182,193           | 582          | 5,406,888            |
| 20 to 24 yrs. incl. | 448          | 5,418,540           | 346          | 3,371,681            |
| 25 to 29 yrs. incl. | 323          | 3,541,504           | 234          | 2,332,932            |
| 30 yrs and over     | 214          | 3,232,709           | 173          | 1,818,666            |
| <b>Totals</b>       | <b>7,774</b> | <b>\$72,578,064</b> | <b>7,301</b> | <b>\$ 52,026,926</b> |



TEACHERS

TABLE 3. Number of TEACHER-MEMBERS and Annual Salaries - Classified by 5-year Age Groups.

| Age Group      | Number | Annual Salaries | M A L E |                 | F E M A L E |                 |
|----------------|--------|-----------------|---------|-----------------|-------------|-----------------|
|                |        |                 | Number  | Annual Salaries | Number      | Annual Salaries |
| Under 25       | 596    | \$ 5,264,723    | 1,771   | \$ 17,147,743   | 7,867       | \$ 82,493,362   |
| 25 to 29 incl. | 985    | 9,545,610       | 1,120   | 12,122,789      |             |                 |
| 30 to 34 incl. | 771    | 7,412,501       | 595     | 5,688,220       |             |                 |
| 35 to 39 incl. | 689    | 8,350,204       | 570     | 5,163,348       |             |                 |
| 40 to 44 incl. | 510    | 5,849,044       | 595     | 6,021,962       |             |                 |
| 45 to 49 incl. | 394    | 4,690,998       | 579     | 6,173,316       |             |                 |
| 50 to 54 incl. | 276    | 3,204,050       | 672     | 7,573,638       |             |                 |
| 55 to 59 incl. | 291    | 3,495,403       | 786     | 9,043,457       |             |                 |
| 60 to 64 incl. | 160    | 2,465,965       | 737     | 8,580,701       |             |                 |
| 65 and over    | 109    | 1,504,513       | 442     | 4,978,188       |             |                 |
| Totals         | 4,781  | \$ 51,783,011   | 7,867   | \$ 82,493,362   |             |                 |

TABLE 4. Number of TEACHER-MEMBERS and Annual Salaries - Classified by 5 year Service Groups.

| Length of Service  | Number | Annual Salaries | M A L E |                 | F E M A L E |                 |
|--------------------|--------|-----------------|---------|-----------------|-------------|-----------------|
|                    |        |                 | Number  | Annual Salaries | Number      | Annual Salaries |
| Less than 5 years  | 1,670  | \$ 16,349,545   | 3,150   | \$30,646,446    | 1,917       | \$ 19,522,704   |
| 5 to 9 yrs incl.   | 1,202  | 11,516,628      | 1,332   | 11,579,951      | 1,182       | 11,662,569      |
| 10 to 14 yrs incl. | 843    | 9,869,621       | 982     | 10,949,154      | 85          | 1,051,133       |
| 15 to 19 yrs incl. | 819    | 10,542,462      | 1,645   | 20,949,154      | 99          | 1,293,956       |
| 20 to 24 yrs incl. | 58     | 679,751         | 85      | 1,051,133       | 95          | 1,548,123       |
| 25 to 29 yrs incl. | 55     | 696,424         | 99      | 1,293,956       | 112         | 1,522,704       |
| 30 to 34 yrs incl. | 70     | 1,011,342       | 95      | 1,548,123       | 167         | 2,239,326       |
| 35 to 39 yrs incl. | 41     | 495,779         | 112     | 1,522,704       |             |                 |
| 40 yrs and over    | 23     | 421,459         | 167     | 2,239,326       |             |                 |
| Totals             | 4,781  | \$ 51,783,011   | 7,867   | \$ 82,493,362   |             |                 |

COMPARATIVE PERTINENT FINANCIAL FACTS  
FOR  
STATE EMPLOYEES AND TEACHER MEMBERS

| Fiscal Year Ended June 30 | Excess Revenues over Expenditures |    |            |    | Investment Earnings |            | Unfunded Liability |              | Percent Funded |          |
|---------------------------|-----------------------------------|----|------------|----|---------------------|------------|--------------------|--------------|----------------|----------|
|                           | State Emp.                        | %  | Teachers   | %  | State Emp.          | Teachers   | State Emp.         | Teachers     | State Emp.     | Teachers |
| 1965                      | 3,912,384.                        | 58 | 3,685,550. | 47 | 1,631,495.          | 1,175,104. | 32,921,317.        | 67,457,744.  | 67.0           | 28.5     |
| 1966                      | 4,270,947.                        | 58 | 4,094,079. | 47 | 2,149,896.          | 1,587,190. | 33,760,447.        | 74,430,890.  | 69.5           | 28.9     |
| 1967                      | 5,975,756.                        | 63 | 4,343,414. | 45 | 2,226,426.          | 1,659,054. | 39,715,316.        | 77,297,416.  | 70.8           | 29.6     |
| 1968                      | 5,409,979.                        | 57 | 5,410,877. | 47 | 2,485,590.          | 1,888,900. | 41,032,997.        | 83,612,994.  | 72.4           | 30.8     |
| 1969                      | 6,112,717.                        | 56 | 6,455,394  | 48 | 3,533,471.          | 2,771,795. | 40,688,000.        | 87,646,000.  | 74.            | 32.9     |
| 1970                      | 7,102,438.                        | 59 | 7,621,756  | 49 | 3,503,336.          | 2,840,989. | 43,969,000.        | 94,614,000.  | 72.8           | 34.7     |
| 1971                      | 7,984,606.                        | 58 | 7,089,543. | 40 | 4,062,592.          | 3,359,023. | 54,877,000.        | 117,486,000. | 69.2           | 32.7     |
| 1972                      | 8,782,514.                        | 56 | 7,479,578. | 39 | 4,463,637.          | 3,708,529. | 85,746,775.        | 206,425,856. | 57.7           | 24.6     |
| 1973                      | 8,825,489.                        | 51 | 8,539,937. | 38 | 5,140,631.          | 4,309,059. | 114,256,163.       | 237,759,264. | 54.8           | 23.      |
| 1974                      | 10,237,173.                       | 52 | 9,264,517. | 37 | 6,159,198.          | 5,215,129. | 130,932,871.       | 277,875,668. | 52.7           | 22.7     |

S E R V I C E P E N S I O N S G R A N T E D

From July 1, 1973 - - - To June 30, 1974

State Employees

Public School Teachers

| Pension Range | No. of Pensions | Percent     | Yearly Cost       | Average Pension | No. of Pensions | Percent     | Yearly Cost       | Average Pension |
|---------------|-----------------|-------------|-------------------|-----------------|-----------------|-------------|-------------------|-----------------|
| Under \$2000. | 140             | 45.1        | 186,336.          | 1,330.97        | 3               | 1.4         | 4,660.            | 1,553.29        |
| \$2/4,000.    | 81              | 26.         | 219,980.          | 2,715.80        | 29              | 13.6        | 88,265.           | 3,043.60        |
| \$4,000.      | 23              | 7.4         | 101,454.          | 4,411.00        | 20              | 9.3         | 90,273.           | 4,514.00        |
| 5,000.        | 16              | 5.1         | 86,543.           | 5,408.95        | 16              | 7.4         | 86,466.           | 5,404.15        |
| 6,000.        | 12              | 3.9         | 78,041.           | 6,503.39        | 15              | 7.          | 97,362.           | 6,490.77        |
| 7,000.        | 6               | 1.9         | 45,312.           | 7,552.02        | 22              | 10.2        | 164,028.          | 7,455.83        |
| 8,000.        | 7               | 2.2         | 60,414.           | 8,630.52        | 20              | 9.3         | 170,200.          | 8,510.00        |
| 9,000.        | 8               | 2.6         | 76,261.           | 9,532.56        | 39              | 18.1        | 371,196.          | 9,517.85        |
| 10/12,000.    | 13              | 4.2         | 139,876.          | 11,587.77       | 35              | 16.3        | 368,642.          | 10,532.61       |
| Over 12,000.  | 5               | 1.6         | 74,245.           | 14,849.04       | 16              | 7.4         | 213,407.          | 13,337.96       |
| <b>Totals</b> | <b>311</b>      | <b>100.</b> | <b>1,068,462.</b> | <b>3,435.56</b> | <b>215</b>      | <b>100.</b> | <b>1,654,399.</b> | <b>7,694.88</b> |

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*Benefit Summary*

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BENEFITS AND CONTRIBUTION SCHEDULE

The provisions of the retirement plan forming the basis of this valuation are summarized as follows:

1. Optional retirement Retirement is optional with a member upon attainment of the age of 60 years, provided he has completed at least 10 years of credited service. Members should verify their service credits with the retirement office well in advance of their retirement date.  
  
Any member with 30 years of service may retire at age 55, also under age 55, at a reduced allowance; being the actuarial equivalent of the value of the allowance at age 55.  
  
Any member may retire after 35 years of service, regardless of age, without discount.
2. Vesting In a case of a member leaving service prior to the attainment of age 60, the right to a pension benefit is vested in the member if he has at least 10 years of service credit. The retirement allowance will become available to the member upon attaining age 60, provided he has not taken a refund on his contributions.
3. Compulsory retirement Retirement is compulsory at age 70, with the exception of elected or term appointed officials. State employees must retire on the first of the month following the month they attain age 70. School teachers are allowed to complete the school year in which they attain age 70.
4. Amount of annuity The amount payable upon retirement is 1.7% for the first ten years, 1.9% for each year from 11 to 20 years, and 2.4% for each year over 20. A maximum benefit of 80% of average compensation is payable after completion of 38 years of service.
5. Basis of annuity Average compensation means the average annual earned salary for any 3 highest consecutive years.
6. Post-retirement increment State employees who retired prior to January 1, 1968 receive a cost of living adjustment of 1½% of their original pension grant for each year on retirement (not compounded), up to January 1971, and 3% for each year after 1971 with no maximum. Teachers who retired prior to January 1968 received the same adjustment as of July 1, 1970.
7. Optional annuity protection in service A member upon or after attainment of age 60 with 10 years of service, or at age 50 with 20 years of service may elect to provide on an actuarial

equivalent basis, an annuity for a designated beneficiary to become payable upon his death, should death occur while in service or in an inactive status, with restrictions. This election may be revoked by the member at time of retirement or before.

8. Re-employment of retirees State and municipal retirees may be re-employed by city or state agencies for up to 75 days in any calendar year without loss of pension. No additional credit is gained and if service exceeds 75 days the pension is suspended.  
  
Teachers may substitute up to 75 days in any school year. Same rules apply after 75 days. Members and employers must report the days worked monthly to the retirement board.
9. Occupational disability A member becoming disabled while under age 65 as the direct result of the performance of duty or occupation is entitled to 66-2/3% of his rate of salary at date of disability, reduced by workmen's compensation payments.
10. Occupational death Upon death of a member due directly to occupational causes, the benefit payable is (1) a refund of the members total contributions to the system and (2) if a widow survives, a benefit of 50% of the members salary at date of death to be paid monthly. If no widow survives or if the widow remarries, the benefit is payable to minor children under age 18 until their attainment of age 18 or prior death. If there be no widow or children the benefit is payable to a dependent father or mother for life.
11. Nonoccupational disability Upon disability occurring not due to occupational conditions, a member with at least 7 years of service credit is entitled to a benefit equal to the amount of the service retirement allowance covering the period of the total credited service of the member. A member qualifying for this benefit but not having 15 years of service is entitled to receive the benefit prescribed for 15 years of service. Therefore, a minimum benefit of 26.5% is payable. Applicants must submit proof of disability and be examined by 3 doctors assigned by the retirement board. Members eligible for regular service retirement are ineligible for disability benefits.
12. Nonoccupational death 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, and a lump sum payment equal to \$400 per year of credited service of the member, subject to a minimum of \$2000 and a maximum of \$8000.



13. Death after retirement Upon death of a retired member who did not elect any of the optional provisions of the retirement act, his beneficiary is entitled to a refund of the excess, if any, of his total member contributions over the amount of pension benefits he has received. He also receives continued coverage for in service death benefit while on retirement but the amount is reduced 25% each year after the first year to a minimum of 25% of the full death benefit that had accrued at date of retirement but not less than \$2000.

14. Refunds A member, upon terminating from service, may receive a refund of his total contributions to the system. The member must apply to the Retirement Office for his refund.

15. Financing (a) State employees and teachers of the State schools are required to contribute 5% of salary to the system.

Teachers of the public schools are required to contribute 6% of salary. Contributions cease after 38 years of service.

(b) Contributions by State on partial funded basis according to 5-years projected expenditures. Current rate: 6.5% of total salaries for State employees; 9.0% of total salaries for teachers divided equally between the State and the Cities and Towns.

16. Provisions for members of the General Assembly General Assembly members contribute 30% of salary to the fund and are eligible for most of the benefits provided for other members with the following listed exceptions. A legislator may retire at age 55 with eight years of legislative service or after 20 years of legislative service at any age. Military service may be granted or purchased under certain conditions and be included as legislative service.

The retirement annuity is \$300 for each year of service up to a maximum of \$4000 per year, payable to spouse upon death.

General Assembly service may be used for a state employee pension and state service can be included for a legislative pension.

Members elected at a special election are entitled to a full year's credit upon payment of the appropriate contribution.

Members of the General Assembly may continue their death benefit coverage upon leaving office by making an annual premium payment to the retirement board.

Membership is optional and may be commenced at any time during a legislator's service in office.

17. Pension credit for out-of-state or private teaching service Out of state teaching and certain in state non public school teaching can be purchased within the first three years of membership or December 1974, whichever is later, at a cost of 10% of salary at time of application to purchase. Maximum credit is 5 years. These credits are applied to regular service retirement only and cannot be applied to any other benefits. Ten years of service in Rhode Island still required to retire in addition to out of state credits.

18. Prior Military service Military service is granted to a maximum of 4 years if member left on official leave and returned to employment six months after discharge. Other military service is granted if purchased at a cost of 10% of first year's earnings as an employee, for each year purchased up to four years maximum.

19. Special survivors benefit for teachers of Cities and Towns who did not elect federal social security coverage for teachers prior to July 1, 1963 The program for Survivors' Benefits is applicable only to teachers of the cities and town of state. Teachers of the state schools are covered by federal social security and have the benefit of the survivors' insurance provisions of the program.

The Survivor Benefits Plan is compulsory for all teachers of the cities and towns, except the teachers of any city or town which has elected federal social security coverage for its teachers.

20. Benefits payable under Special Survivors Program (a) A member under the plan must make contributions for at least 6 consecutive calendar months prior to death or retirement, if his survivors are to qualify for benefits.

Benefits are effective from the first of the month following the month in which eligibility occurs and no payment is made for the month in which ineligibility occurs.

(b) Payable to a widow who was married to the deceased member at least 1 year prior to death, with no surviving children under age 18, and was living with the member at time of his death or was receiving regular support from him by court order. A widow shall be eligible to receive benefits upon attaining age 60.

Remarriage of a widow shall render her ineligible for current or future benefits. The amounts of benefit payable are as follows:

| <u>Latest Annual Salary</u> | <u>Widow's Monthly Benefit</u> |
|-----------------------------|--------------------------------|
| \$3,000                     | \$144.00                       |
| 4,200                       | 175.00                         |
| 5,400                       | 205.00                         |
| 6,600                       | 240.00                         |
| 7,800                       | 280.00                         |
| 9,000                       | 306.00                         |
| 9,600 (and over)            | 320.00                         |

- (c) Payable to a widow of a deceased member at time of death of the member provided the widow:
- has in her care a child or children of the deceased member, under the age of 18, and
  - was living with on receiving regular support by court order from the member at time of his death.

Remarriage of a widow shall render her ineligible for current or future benefits.

A former wife divorced is eligible for benefits provided the conditions stated above are met.

When the youngest child attains age 18, the widow is entitled to receive the widow's benefit at age 60.

The amounts of benefit payable are as follows:

| <u>Latest Annual Salary</u> | <u>Widow and 1 Child</u> | <u>Widow and 2 or more Children</u> |
|-----------------------------|--------------------------|-------------------------------------|
| \$3,000                     | \$236.00                 | \$241.00                            |
| 4,200                       | 288.00                   | 334.00                              |
| 5,400                       | 338.00                   | 421.00                              |
| 6,600                       | 389.00                   | 470.00                              |
| 7,800                       | 447.00                   | 521.00                              |
| 9,000                       | 479.00                   | 558.00                              |
| 9,600 (and over)            | 492.00                   | 574.00                              |

(d) Payable to a child or children, including a stepchild or adopted child of a deceased member at time of death of a member if the child:

- is unmarried and under the age of 18, and
- was dependent upon the member, or
- said dependent child, regardless of age, has a disability which began before attainment of age 18.

A child who was neither living with nor receiving more than  $\frac{1}{2}$  support from the deceased member or who has been adopted by some other individual shall be ineligible for benefits.

The amounts of monthly benefit payable are as follows:

| <u>Latest Annual Salary</u> | <u>One Child Alone</u> | <u>Two Children Alone</u> | <u>Three or more Children Alone</u> |
|-----------------------------|------------------------|---------------------------|-------------------------------------|
| \$3,000                     | \$104.00               | \$236.00                  | \$241.00                            |
| 4,200                       | 160.00                 | 288.00                    | 334.00                              |
| 5,400                       | 175.00                 | 338.00                    | 421.00                              |
| 6,600                       | 200.00                 | 389.00                    | 470.00                              |
| 7,800                       | 220.00                 | 447.00                    | 521.00                              |
| 9,000                       | 246.00                 | 479.00                    | 558.00                              |
| 9,600 (and over)            | 255.00                 | 492.00                    | 574.00                              |

(e) Payable to a widower of a deceased member who was married to the member at least 1 year prior to death, and who was living with the member or receiving regular support from the member. A widower shall be eligible to receive benefits upon attaining age 60 and remarriage of a widower shall render him ineligible for current or future benefits.

The amount of benefit payable shall be the same as those prescribed for a widow.

(f) Payable to a dependent parent or parents of a member who did not leave a surviving widow, widower or eligible child, provided the parent:

- has attained age 60, and
- has not remarried since the members death, and
- is not entitled to a social security benefit from his own earnings equal to or greater than this benefit.

The rates of benefit are the same as those prescribed for a widow.

## 21. Financing

Members of the program are required to make contributions of 1% of salary up to a salary of \$9,600 per year. This is matched equally by the cities and towns. All contributions are credited and all payments are chargeable to the "Survivors' Benefits Fund."

## 22. Refunds to employee leaving service

(a) If a member leaves teaching service before retirement he is entitled to a refund of member contributions without interest.



(b) Upon death of a member while in service, leaving no survivors or dependents eligible for benefits a refund of member contributions, plus interest, is payable to his beneficiary or the estate of the member.

(c) Upon retirement a member may elect to have his contributions refunded in a lump sum, plus interest, or may elect to maintain this coverage during retirement by leaving funds intact in the system.