

State of Rhode Island and Providence Plantations



THIRTY-NINTH ANNUAL REPORT
OF THE
RETIREMENT BOARD

JUNE 30, 1975

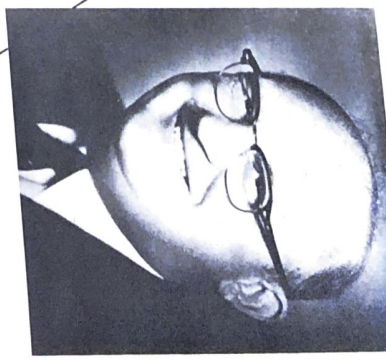
EMPLOYEES RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND
Annual Report

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| A. A. Weinberg <i>Consulting Actuary</i> | | |
| Angelica Goss <i>Legal Counsel</i> | | |

RETIREMENT SYSTEM STAFF

John F. Sullivan, Assistant Director
Margaret Sherman, Supervisor
Ruth Vanner, Secretary
Dorothy Marchini, Retirement Counselor
Peggy Nelson, Receptionist
Marilyn Ferris, Account Clerk
Ann Rata, Senior Clerk

Joseph G. Iannelli, Executive Director
Carlo Mencucci, Senior Accountant
Nicholas DiTommaso, Accountant
Louis Capizzano, Accountant
Raymond Kierman, Accountant
Jeanette Cronan, Senior Account Clerk
Evelyn Geremia, Senior Clerk
Ann Glew, Machine Operator
Jodie Stevenson, Clerk



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
OFFICE OF THE GENERAL TREASURER
PROVIDENCE
November 30, 1975

The Honorable Philip W. Noel
Governor, State of Rhode Island
and Providence Plantations
State House, Rhode Island 02903

Dear Governor Noel:
I take pleasure in submitting herewith for transmittal to the
General Assembly, the Thirty-Ninth Annual Report of the Retirement
Board of the Employees' Retirement System of the State of Rhode
Island covering the fiscal year ended June 30, 1975.
Respectfully submitted,

Raymond H. Hawksley
General Treasurer

Report of the Board

REPORT OF THE RETIREMENT BOARD

Thirty-Ninth Annual report of the Retirement Board covering the fiscal year ended June 30, 1975. The report covers in detail through the exhibits, schedules and statistics, the operations for the year and its condition at June 30 together with the Actuary's valuation and recommendations.

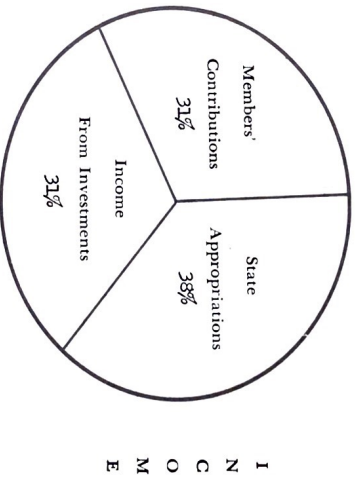
FINANCIAL FACTS:

Total Reserves at the end of the year were 11.4% or \$22,778,105 higher than the previous year for a total of \$222,497,479.

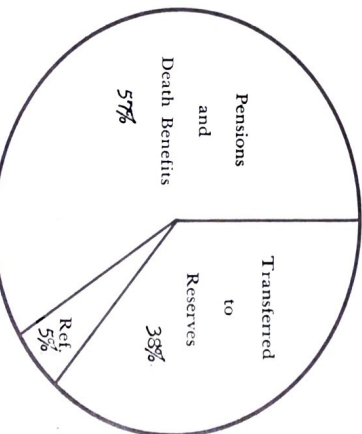
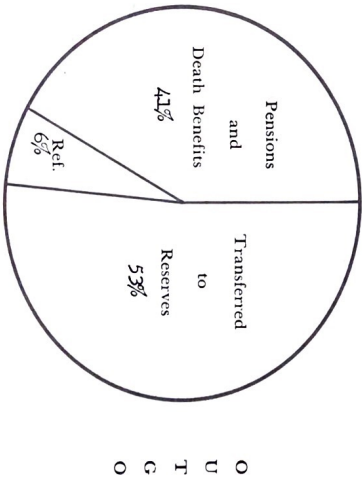
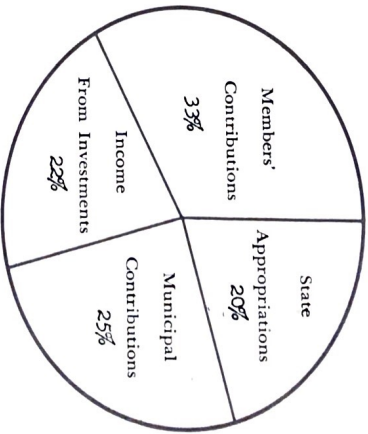
Revenues from all sources for the year amounted to \$23,022,383 for State Employees and \$27,564,291 for Public School Teachers. Expenditures for the year amounted to \$10,812,101 and \$16,976,716 for State Employees and Teachers respectively.

The chart below depicts the sources of Revenue and how Expended.

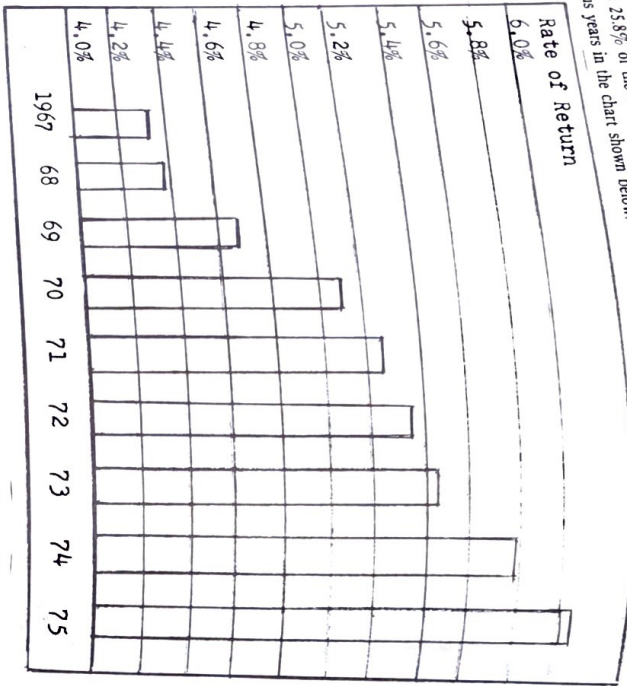
State Employees



Public School Teachers



Income from investments for the year amounted to \$13,071,799 including a capital gain of \$66,294. This represents 23.8% of the total revenues. This income is equal to a yield of 6.3% and is compared to the yield of previous years in the chart shown below.



Pension benefits which represent the major expenditure item amounted to \$8,118,371 for State Employees and Legislators and \$14,076,602 for Teachers and Teachers Survivors. To this was added the Cost of Living Adjustment which amounted to \$612,196 for State Employees and \$1,367,603 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 AND LEGISLATORS

TEACHERS AND TEACHER SURVIVORS

| Year | Pension Benefits | Cost of Living Adjustment | % Incr. to Ben. | % to Ben. | Pension Benefits | Cost of Living Adjustment | % Incr. to Ben. | % to Ben. |
|---------|------------------|---------------------------|-----------------|-----------|------------------|---------------------------|-----------------|-----------|
| 1969-70 | 3,211,776 | 223,510 | 6.96 | 7.90 | 7,876,576 | 621,970 | 7.22 | 7.90 |
| 1970-71 | 3,774,305 | 272,657 | 22.0 | 7.90 | 7,876,576 | 621,970 | 22.0 | 7.90 |
| 1971-72 | 4,888,704 | 334,646 | 22.7 | 7.90 | 9,759,785 | 757,018 | 6.85 | 7.90 |
| 1972-73 | 5,782,110 | 411,796 | 23.1 | 7.90 | 11,413,852 | 923,868 | 7.12 | 7.90 |
| 1973-74 | 6,685,643 | 502,378 | 22.0 | 7.90 | 12,778,668 | 1,119,746 | 7.51 | 7.90 |
| 1974-75 | 8,118,371 | 612,196 | 21.9 | 7.90 | 14,076,602 | 1,367,603 | 7.90 | 7.90 |

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 1 1/2% 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 1 1/2% to 3% annually for State Employees and Public School Teachers, effective January 1, 1971.

UNFUNDED ACCRUED LIABILITY

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, 1975 was 47.8% for State Employees and 22.3% 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. | 74.0 | 32.9 |
| 1970 | 43,969,000. | 94,614,000. | 72.8 | 34.7 |
| 1971 | 54,877,000. | 117,486,000. | 69.2 | 32.7 |
| 1972 | 85,746,775. | 206,425,856. | 57.7 | 24.6 |
| 1973 | 114,256,163. | 237,759,264. | 54.8 | 23.3 |
| 1974 | 130,932,871. | 277,875,668. | 52.7 | 22.7 |
| 1975 | 131,386,351. | 355,818,255. | 47.8 | 22.3 |

1975 LEGISLATION

The several changes made at the 1975 session of the General Assembly are briefly summarized.

1. Certain employees who joined the T.I.A.A. Plan in 1967, who left their funds in the system may rejoin the retirement system prior to July 1, 1976, with restrictions.

2. Effective January 1, 1976, teachers may purchase non-participating municipal credits at full actuarial cost.

CONCLUDING COMMENT

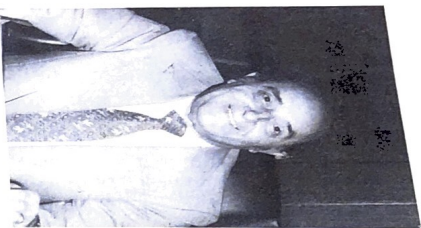
An actuarial valuation is made each year as a check of its current operating results and to disclose the financial condition of the system at the end of the fiscal year. A normal increase in reserves was recorded. The results of operations for the year were satisfactory.

The cooperation and services rendered during the year by officials of the State government is hereby acknowledged by the board. Appreciation is also extended for 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. Jannelli
Executive Secretary

Director's Message



Director's Message

The Employees' Retirement System of the State of Rhode Island became operative on July 1, 1936. The System was extended to cover public school teachers in 1949 and state legislators in 1960. It provides a complete schedule of benefits for service retirement, disability, death and survivor benefits as a supplement to federal social security.

The System is administered by an eleven man Board of Trustees. The Board contracts an Actuary who serves as technical advisor on matters regarding the operation of the system. The general administrative operation of the system is administered by the Executive Director, assisted by staff.

The Retirement Division has been housed at its present location in the state capitol for the past 39 years. Since that time the staff has more than doubled to meet increased membership needs and demands.

As a result of this growth, the Retirement Office is bursting at the seams and is presently searching for more spacious quarters that will provide for private interview rooms, a reception room, a board room for meetings of the Board, apart from ample working space. This will be a convenience to public employees coming under our pension programs. New quarters are obviously needed and very much anticipated by the staff so they can better meet the needs of those they serve. This will be our goal for the coming year.

Also, of interest to the membership is the fact that the Chairman of the Retirement Board has appointed a legal counsel to the system effective July 1, 1975 who will handle all general legal questions concerning the system.

Although the Retirement Fund and Board has received much publicity and criticism in the press over the last year on its funding, the fund is regarded as in no immediate danger because the systems' income still is running ahead of pension and administrative costs. The system, nevertheless, is building up liabilities for future years on an accrual basis which will eventually mature in the form of pension payments. This should not be palmed off to future generations. These liabilities will have to be met by constantly increasing appropriations by the State and the Cities and Towns. I believe advance funding of these future maturing liabilities is a very important and desirable objective now.

I am confident, however, that through the efforts of the Special Legislative Study Commission, the systems actuary, and responsible state officials, a more adequate funding method will be arrived at in the near future.

I believe that public retirement systems serve an essential public service. The promotion and preservation of our retirement system is necessary in the interest of good government. We must not endanger the integrity of our fund.

Sincere thanks and appreciation to the staff for their dedicated service and loyal efforts, the guidance and support of the Board of Trustees, the concern and understanding of the Governor and the members of the Legislature, our actuarial firm and everyone whose assistance has resulted in better service to our members.

Joseph G. Jannelli
Executive Director

*Report
of the
Actuary*



A. A. WEINBERG
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CHICAGO 60604

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November 30, 1975

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

Part I. PURPOSE

An actuarial valuation of a retirement system is undertaken to establish the liabilities and reserve requirements for the accrued and prospective pension credits arising under the prescribed benefit schedule. An actuarial balance sheet is prepared exhibiting the accrued and prospective liabilities and the present and prospective assets for meeting these liabilities.

The liabilities incurred for the several benefit obligations are calculated and the reserves required to meet these accrued liabilities for the lifetime of the members are established. The factors of mortality, turnover in employment and investment earnings are basic in this determination. Other factors are considered in the actuarial process, including the rates of salary and their progression until retirement of the members, disability expectancies, and the ages at which members may be expected to retire.

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

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

Long range valuations or cost estimates, regardless how determined, cannot be precise no matter how accurately they are calculated. Differences generally arise between actual

Part 2. BASIS OF VALUATION

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

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

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

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

experience in operations and the assumptions made with respect to the several actuarial factors used in such determination. Nevertheless, periodic valuations and cost determinations must be made in order that an indication may be had regarding the amounts of accruing pension obligations and to illustrate current cost trends. This is especially important in the case of a retirement system where, either because of the character of the membership or the types of benefits provided, payments rise steadily and persistently over the years compared to the relatively small expenditure incurred during the early years of operations.

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

Part 3. MEMBERSHIP STATISTICS

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

8. Marital status - 85% of employees in service were assumed to be married with the average age of the wives 4 years less than that of the employees. 65% of the teachers retiring on pension were assumed to be married
9. Administrative expense - None.

| | State Employees | | Teachers | |
|------------------------------|-----------------|--------------|--------------|--------------|
| | Male | Female | Male | Female |
| <u>ACTIVE CONTRIBUTORS</u> | | | | |
| Number | 7,910 | 7,390 | 4,230 | 6,961 |
| Percent of total | 51.7% | 48.3% | 37.8% | 62.2% |
| Annual salaries | \$77,913,822 | \$55,706,178 | \$52,288,740 | \$86,041,260 |
| Average salary | \$9,850 | \$7,538 | \$12,361 | \$12,360 |
| Average age | 44.1 | 40.8 | 36.6 | 38.9 |
| Average service | 8.7 | 7.2 | 9.0 | 9.5 |
| <u>PENSIONERS</u> | | | | |
| 1. Total number at 6/30/75 | 1,702 | 1,456 | 444 | 2,007 |
| Percent of total | 53.9% | 46.1% | 18.1% | 81.9% |
| Average age at June 30, 1975 | 70.8 | 75.3 | 70.2 | 70.4 |
| 2. Retirements during year | 178 | 162 | 41 | 140 |
| Average age at retirement | 64.8 | 64.4 | 64.4 | 62.7 |

| | | | | | |
|--|------------------------|---------------|-------------|-----------------|---------------|
| | <u>State Employees</u> | <u>Female</u> | <u>Male</u> | <u>Teachers</u> | <u>Female</u> |
|--|------------------------|---------------|-------------|-----------------|---------------|

| | | | | |
|---------------------------|------|------|------|------|
| PENSIONERS - continued | 70 | 45 | 15 | 58 |
| 3. Terminations | | | | |
| Average age at death | 73.5 | 75.2 | 76.1 | 76.2 |
| Average age at retirement | 65.3 | 65.4 | 63.3 | 64.8 |

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

Part 4. FUNDING THE PENSION COST

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

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

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

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

| | |
|---|----------------------|
| State of Rhode Island - | \$131,386,351 |
| State employees | 175,127,988 |
| Teacher-members | 175,127,988 |
| Cities and Towns on account of teacher-members | <u>5,562,279</u> |
| Teachers survivors plan | \$487,204,606 |
| Total | <u>1,069,009,502</u> |

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

Upon recommendation of the actuary, the rates of contribution to the system under this method were fixed by the retirement

board in 1972 at 6.5% of payroll for State employees and 9.0% of payroll for school teachers. The latter amount is divided equally between the State and the Cities and Towns, as provided by law.

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

Part 5. RESULTS OF VALUATION

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

The financial stability of a retirement system may be measured by a comparison of the total accrued liabilities for the earned and matured pension credits at the end of a fiscal period with the amount of net present assets. Thus, the extent to which these pension credits are covered by present assets is determined. In the case of the Employees' Retirement System, it is noted that at June 30, 1975 the ratio of net present assets to total accrued liabilities was 31.2%. This compares with a rate of 32.8% a year ago. This rate is considerably below a level that is considered by students of pensions as a reasonable measure of funding for a public employee retirement system of approximately 66-2/3%.

The low rate of funding or security ratio as it is otherwise called is due to the partial reserve method of funding

prescribed by the retirement statute. This has resulted in the accumulation of reserves that are considerably below the requirements for the accrued and accruing pension credits according to actuarial criteria.

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

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

VALUATION BALANCE SHEET - JUNE 30, 1975

Statement of Assets, Liabilities and Reserves

A S S E T S

NET PRESENT ASSETS

| | | |
|--|----|------------------|
| Cash | \$ | 3,478,272 |
| Investments (Amortized book value for bonds - cost for stocks) | | 216,186,878 |
| Accrued interest receivable | | <u>2,895,215</u> |
| | \$ | 222,560,365 |
| Less, Accounts Payable | | <u>62,889</u> |
| | \$ | 222,497,476 |

DEFERRED ASSETS

Present value of future contributions on account of service credits after July 1, 1975

| | | |
|---------------------------|-------------------|-------------|
| State employees - Members | \$ 51,977,862 | |
| State of Rhode Island | 108,098,460 | |
| Teacher-Members - Members | 56,878,401 | |
| State of Rhode Island | 57,722,118 | |
| Cities and Towns | <u>57,722,118</u> | |
| | | 332,398,959 |

UNFUNDED ACCRUED LIABILITY

Due from employers for unfunded pension credits -

| | | |
|---|------------------|-------------|
| State of Rhode Island - State employees | \$131,386,351 | |
| Teacher-Members | 175,127,988 | |
| Cities and Towns ^{1/} | 175,127,988 | |
| Teachers Survivors Plan | <u>5,562,279</u> | |
| | | 487,204,606 |

TOTAL ASSETS

\$1,042,101,041

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

VALUATION BALANCE SHEET

JUNE 30, 1975

VALUATION BALANCE SHEET - JUNE 30, 1975

Statement of Assets, Liabilities and Reserves

LIABILITIES AND RESERVE REQUIREMENTS

| | | |
|---|--------------------|------------------------|
| <u>FUTURE SERVICE LIABILITY</u> | | |
| State employees | \$160,076,322 | \$ 332,398,959 |
| Teacher-members | <u>172,322,537</u> | |
| <u>RESERVE REQUIREMENTS</u> | | |
| <u>1. MEMBER CONTRIBUTIONS -</u> | | |
| State Employees - | \$ 23,090,622 | 40,712,808 |
| For service retirement and disability annuities | <u>17,622,186</u> | |
| For future refunds | | |
| Teacher-Members - | \$ 34,690,901 | 53,601,411 |
| For service retirement and disability annuities | <u>18,910,240</u> | |
| For future refunds | | 16,386,283 |
| <u>2. TEACHERS' SURVIVOR BENEFITS -</u> | | |
| <u>3. EMPLOYER CONTRIBUTIONS -</u> | | |
| For service retirement and disability annuities on active members - | | |
| State Employees - | \$151,620,636 | 128,530,014 |
| Total requirements less, Employee Contributions | <u>23,090,622</u> | |
| Teacher-Members - | \$274,013,272 | 239,322,371 |
| Total requirements less, Employee contributions | <u>34,690,901</u> | |
| <u>4. RETIREMENT AND BENEFITS RESERVE -</u> | | |
| State employees | | 82,362,118 |
| Teacher-members | | <u>148,787,347</u> |
| <u>TOTAL LIABILITIES AND RESERVES</u> | | |
| | | <u>\$1,042,101,041</u> |

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

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

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

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

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

Reserve for Members' Contributions consists of the total of members' accumulated contribution credits at the balance sheet date. Part of these credits is payable as a refund in future

years on account of resignation, dismissal or death. The remainder is to be applied to finance a portion of the annuities and benefits payable to members in service who will ultimately qualify for retirement.

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

Reserve for Employer Contributions represents the employers' portion of the accrued pension credits for those employees now in service who will ultimately qualify for retirement and disability pensions.

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

CERTIFICATION

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

In our opinion, this Valuation Balance Sheet correctly presents the condition of the Employees' Retirement System of the State of Rhode Island at June 30, 1975 after giving effect to all accrued liabilities and actuarial reserve requirements for the several annuities and benefits under the applicable law in effect at such date.

A. A. Weinberg

Actuary

November 30, 1975

Part 6. VESTED BENEFITS

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

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

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

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

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

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

| | <u>State Employees</u> | <u>Teachers</u> |
|------------------------------------|------------------------|----------------------|
| Members in service | \$ 80,537,697 | \$ 92,066,670 |
| Members on retirement | <u>82,362,118</u> | <u>148,787,342</u> |
| Total value of all vested benefits | <u>\$162,899,815</u> | <u>\$240,854,017</u> |

Part 7. PROJECTION OF FUTURE PENSION AND BENEFIT PAYMENTS

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

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

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

| <u>Year</u> | <u>Amounts of future pension and benefit payments (in millions)</u> |
|-------------|---|
| 1975 | \$25.1 |
| 1976 | 33.3 |
| 1979 | 45.5 |
| 1982 | 59.0 |
| 1985 | 75.2 |

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

Part 8. PROPOSED FEDERAL REGULATION
OF PUBLIC PENSION PLANS

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

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

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

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

| | <u>State Employees</u> | <u>Teachers</u> |
|-------------------|--------------------------------|--------------------------------|
| | <u>Annual Valuation Amount</u> | <u>Annual Valuation Amount</u> |
| Normal cost | \$241,001 | \$ 92,681 |
| Accrued Liability | <u>179,050</u> | <u>102,364</u> |
| Totals | <u>\$420,051</u> | <u>\$195,045</u> |
| | <u>13.4%</u> | <u>7.4%</u> |
| | <u>31.4%</u> | <u>14.1%</u> |

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

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

Part 9. FINANCING THE PENSION OBLIGATION

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

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

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

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

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

In its true concept, pension cost is a current operating expense of government. It is an obligation which cannot logically be deferred. It has a direct and immediate relationship to the entire fiscal operations of government. There is no short cut method or formula for financing this cost. A retirement plan is considered to be a legitimate employee welfare program of governmental concern. The principle that government should bear a measure of responsibility for employees

whose productivity has become impaired due to old age or disability is now generally accepted. Since this is the case, government should face up to its responsibility in this area. It should be willing to meet the cost of pensions on the most practical and economical basis. The only real method is the one that reflects the accruing or current budgeting concept.

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

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

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

Financial Statements

Comparative Financial Balance Sheet

June 30

| | <u>1975</u> | <u>1974</u> |
|--|----------------------|----------------------|
| <u>Assets</u> | | |
| Cash | \$ 3,478,273 | \$ 1,163,124 |
| Accrued Interest Receivable | 2,895,215 | 2,568,540 |
| Investments (At Amortized Book Value For Bonds and Cost for Stock) | <u>216,186,872</u> | <u>196,030,846</u> |
| Total Assets | <u>\$222,560,367</u> | <u>\$199,762,510</u> |
| <u>Liabilities & Reserves</u> | | |
| <u>Current Liabilities</u> | | |
| Unclaimed Benefits | \$ 62,888 | \$ 43,137 |
| <u>Members' Contribution Reserves</u> | | |
| State Employees | 40,712,808 | 36,787,608 |
| Teachers | 53,601,142 | 47,829,435 |
| Teachers Survivors | <u>3,328,984</u> | <u>2,912,862</u> |
| Total Members Reserves | 97,642,934 | 87,529,905 |
| <u>General Reserves</u> | | |
| State Employees | 79,502,028 | 71,199,447 |
| Teachers | 37,853,741 | 34,430,355 |
| Teachers Survivors | 7,495,022 | 6,550,697 |
| Certain State Employees | 3,754 | 7,969 |
| Certain Teachers | <u>1,000</u> | <u>1,000</u> |
| Total General Reserves | <u>\$124,854,545</u> | <u>\$112,189,468</u> |
| Total Liabilities & Reserves | <u>\$222,560,367</u> | <u>\$199,762,510</u> |

STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED - JUNE 30, 1972
REVENUES

| | |
|------------------------------|-------------------|
| Member Contributions | \$ 7,017,683 |
| State Employees | 22,112 |
| Legislators | 8,763,983 |
| Teachers | 541,999 |
| Teachers Survivors | <u>2,670</u> |
| Ins. Premiums - Legislators | |
| State Contributions | 5,441,579 |
| State Employees | 3,350,564 |
| State Employees A/C FF Cost | 5,736,552 |
| Teachers | 4,170 |
| Certain State Employees | 0 |
| Certain Teachers | 14,332,865 |
| Municipal Contributions | |
| Teachers | 6,310,759 |
| Teachers Survivors | 560,312 |
| Investment Income | |
| Interest | 9,846,205 |
| Dividends | 3,159,300 |
| Capital Gain or (Loss) | 66,294 |
| Miscellaneous | |
| Miscellaneous Receipts | 22,062 |
| Employees Trans. - Municipal | 47,821 |
| Unclaimed Benefits | 31,418 |
| Interest - Service Purchase | 61,329 |
| Total Revenues | <u>\$ 162,630</u> |

EXPENDITURES

| | | |
|-----------------------------------|----------------------|----------------------|
| Pension Benefits | | \$ 8,358,087 |
| State Employees | 365,179 | |
| Legislators | 15,211,283 | |
| Teachers | 231,922 | |
| Teachers Survivors | 7,301 | |
| Certain State Employees | 1,000 | |
| Certain Teachers | | |
| Death Benefits | | |
| State Employees | 615,681 | |
| Legislators | 20,800 | |
| Teachers | 286,212 | |
| Refunds of Contributions | | |
| State Employees | 1,145,830 | |
| Teachers | 1,059,961 | |
| Teachers Survivors | 122,738 | |
| Interest on Refunds - Survivors | 15,169 | |
| Municipalities | 42,024 | |
| Investment Expense | | |
| Postage & Insurance | 138 | |
| Miscellaneous | | |
| Miscellaneous Refunds | 288,978 | |
| Employees Transfers - Municipal | 3,985 | |
| Unclaimed Benefits | 11,666 | |
| Total Expenditures | <u>\$ 27,788,955</u> | |
| Excess Revenues over Expenditures | | <u>\$ 22,797,857</u> |

Analysis of Revenue & Expenditures
Fiscal Year Ended - June 30, 1972

| | <u>REVENUES</u> | | <u>EXPENDITURES</u> | | <u>Total</u> |
|---|-----------------|----------|---------------------|----------|--------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | |
| Members Contributions | \$ 7,042,465 | 30.6 | \$ 9,105,585 | 35.0 | \$16,148,448 |
| State Contributions | 8,766,313 | 38.2 | 5,536,552 | 20.1 | 14,732,565 |
| Municipal Contributions | | | 6,871,071 | 24.9 | 6,871,071 |
| Investment Earnings | 7,065,233 | 30.7 | 6,006,428 | 21.8 | 13,071,661 |
| Miscellaneous | 118,372 | 0.5 | 44,257 | 0.2 | 162,629 |
| Total Revenues | \$23,022,383 | 100.0 | \$27,564,291 | 100.0 | \$50,586,674 |
| <u>EXPENDITURES</u> | | | | | |
| Pensions | \$ 8,118,371 | 35.2 | \$14,076,602 | 51.1 | \$22,194,973 |
| Cost of Living Adjust. | 612,196 | 2.7 | 1,367,603 | 5.0 | 1,979,799 |
| Death Benefits | 636,481 | 2.8 | 286,213 | 1.0 | 922,694 |
| Refunds - Contributions | 1,145,830 | 5.0 | 1,240,892 | 4.5 | 2,386,722 |
| Miscellaneous | 299,223 | 1.3 | 5,406 | 0.02 | 304,629 |
| Total Expenditures | \$10,812,101 | 47.0 | \$16,976,716 | 61.6 | \$27,788,817 |
| Excess Revenues over Expenditures - to Reserves | \$12,210,282 | 53.0 | \$10,587,575 | 38.4 | \$22,797,857 |
| <u>Distribution of Excess Revenue</u> | | | | | |
| Unclaimed Benefits | | | \$ 19,752 | | |
| Members Reserves | | | | | |
| State | | | 3,925,200 | | |
| Teachers | | | 5,771,707 | | |
| Survivors | | | 416,122 | | |
| General Reserves | | | | | |
| State | | | 8,302,581 | | |
| Teachers | | | 3,423,385 | | |
| Survivors | | | 944,325 | | |
| Certain Employees & Teachers | | | 5,215 | | |
| Total | | | <u>\$22,797,857</u> | | |

ANALYSIS OF INVESTMENT INCOME
FISCAL YEAR ENDED JUNE 30, 1975

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

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

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

SUMMARY OF INVESTMENTS

OPERATIONS: (July 1, 1974 - June 30, 1975)

Total Investments - July 1, 1974

\$ 196,650,560

Add:

Purchases During the Year

133,318,995

\$ 329,969,555

Deduct:

Redemptions & Sales During the Year

113,313,379

Total Investments at June 30, 1975

\$ 216,656,176

INVESTMENT ACCOUNT: (By Type of Security)

| <u>Type</u> | <u>Cost or Par</u> | <u>Proportion of Total</u> |
|---------------------------|-----------------------|----------------------------|
| U.S. Government | \$ 25,659,000 | 11.85 % |
| Federal Land Banks | 3,500,000 | 1.62 |
| Federal Home Loan | 1,000,000 | 0.46 |
| Federal National Mortgage | 1,585,000 | 0.73 |
| International Bank | | |
| for Reconstruction | 2,700,000 | 1.25 |
| Certificates of Deposit | 1,500,000 | 0.69 |
| Commercial Paper | 14,400,000 | 6.64 |
| State & Municipal Bonds | 1,029,000 | 0.47 |
| Railroad Bonds | 1,707,000 | 0.79 |
| Public Utility Bonds | 77,034,000 | 35.56 |
| Industrial Bonds | 24,318,067 | 11.22 |
| Preferred Stocks | 1,340,860 | 0.62 |
| Common Stocks | 55,029,695 | 25.40 |
| Bank Stocks | 5,230,264 | 2.41 |
| Mutual Funds | 623,290 | 0.29 |
| | <u>\$ 216,656,176</u> | <u>100.00</u> |

Investments

INVESTMENTS OWNED

| <u>Description</u> | <u>Rate of Interest</u> | <u>Maturity</u> | <u>Carrying Value</u> |
|---------------------------------|-------------------------|-----------------|-----------------------|
| <u>UNITED STATES OF AMERICA</u> | | | |
| 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 | 6-3/4 | 5/31/77 | 1,000,000 |
| Treasury bonds | 7-3/4 | 8/15/77 | 1,700,000 |
| Treasury bonds | 6 | 11/15/79 | 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 | 3/15/80 | 500,000 |
| Treasury bonds | 7-3/4 | 11/15/81 | 2,500,000 |
| Treasury bonds | 7-3/4 | 2/15/82 | 2,170,000 |
| Treasury bonds | 6-3/8 | 5/15/82 | 1,825,000 |
| Treasury bonds | 3-1/4 | 5/15/85 | 500,000 |
| Treasury bonds | 4-1/8 | 5/15/85 | 1,945,000 |
| Treasury bonds | 4-1/4 | 2/15/90 | 2,300,000 |
| Treasury bonds | 3-1/2 | 8/15/92 | 850,000 |
| Treasury bonds | 6-7/8 | 8/15/94 | 1,000,000 |
| Treasury bonds | 4-1/8 | 5/15/94 | |
| Total United States of America | | | \$ 25,659,000 |

THE TWELVE FEDERAL LAND BANKS

| | | | |
|-------------------------------|-------|---------|--------------|
| 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 |
| Cons. Federal Farm Loan | 8.15 | 4/20/82 | 2,000,000 |
| Total Federal Land Bank Bonds | | | \$ 3,500,000 |

FEDERAL HOME LOAN BANK

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

FEDERAL NATIONAL MORTGAGE ASSOCIATION

| | | | |
|---|-------|---------|--------------|
| Note | 10.00 | 6/10/76 | \$ 500,000 |
| 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 |
| Total Federal National Mortgage Association | | | \$ 1,585,000 |

| <u>Description</u> | <u>Rate of Interest</u> | <u>Maturity</u> | <u>Carrying Value</u> |
|--|-------------------------|-----------------|-----------------------|
| <u>INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT</u> | | | |
| Bonds | 4-1/4 | 1/15/79 | \$ 100,000 |
| Bonds | 8.15 | 1/1/85 | 2,000,000 |
| Bonds | 5-3/8 | 4/1/92 | 600,000 |
| Total International Bank for Reconstruction and Development | | | \$ 2,700,000 |

CERTIFICATES OF DEPOSIT

| | | | |
|--------------------------|-------|---------|--------------|
| Industrial National Bank | 5-1/2 | 7/31/75 | \$ 1,500,000 |
|--------------------------|-------|---------|--------------|

COMMERCIAL PAPER

| | | | |
|-----------------------------|-------|---------|---------------|
| Louisiana Pacific Corp. | 5-3/4 | 7/17/75 | \$ 2,500,000 |
| J. P. Stevens | 5-3/4 | 7/17/75 | 1,000,000 |
| Preuhant Finance Co. | 5-5/8 | 7/17/75 | 2,000,000 |
| Sperry Rand Financial Corp. | 5-5/8 | 7/17/75 | 3,800,000 |
| ITT Financial | 5-3/4 | 7/17/75 | 1,000,000 |
| Gimbel Bros. | 6-3/8 | 7/30/75 | 2,100,000 |
| Louisiana Pacific Corp. | 6-3/8 | 8/28/75 | 2,000,000 |
| Total Commercial Paper | | | \$ 14,400,000 |

STATE OF RHODE ISLAND

| | | | |
|---|-------|---------|------------|
| <u>Blackstone Valley Sewer District</u> | | | |
| Loan of 1952: | | | |
| 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 |
| Penal & 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 |
| Total State of Rhode Island | | | \$ 320,000 |

MUNICIPALITIES

| | | | |
|--------------------------|-------|-------------|-----------|
| <u>City of Cranston:</u> | | | |
| School, Series A | 2-1/2 | 6/1/76 | \$ 45,000 |
| School, Series B | 2.7 | 2/15/78-79 | 68,000 |
| School, Series C | 2.9 | 11/15/76-78 | 70,000 |
| School, Series D | 3.0 | 7/1/76 | 35,000 |
| Sewerage, Series E | 1-3/4 | 10/1/80-81 | 5,000 |
| Sewerage, Series F | 1.8 | 3/1/76 | 10,000 |
| Sewerage, Series G | 2 | 6/1/78 | 4,000 |

Description

Rate of Interest

Maturity

Carrying Value

MUNICIPALITIES - continued

| | | | |
|-----------------------------|---------|--------------|-------------------|
| Sewerage, Series I | 2-1/2 % | 6/ 1/76 | \$ 15,000 |
| Town of Cumberland: | | | |
| Water Supply Installation | 1.9 | 1/ 1/76 | 3,000 |
| 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 & Drainage | 3-3/4 | 2/ 1/76-78 | 45,000 |
| Town of Hopkinton: | | | |
| School Building and | 2-3/4 | 12/ 1/ 82-84 | 20,000 |
| Equipment | | | |
| Town of Lincoln: | | | |
| Elementary School Buildings | 3-1/2 | 3/ 1/76 | 30,000 |
| and Equipment | | | |
| 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: | | | |
| Runding | 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: | | | |
| 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 | 4/15/76-77 | 24,000 |
| Total Municipalities | | | \$ 709,000 |

RAILROADS

| | | | |
|----------------------------------|---------|------------|------------|
| Alabama Great Southern Railroad: | | | |
| Equipment Trust | 5-1/2 % | 8/ 1/79-80 | \$ 198,000 |
| Atchison, Topeka & Santa 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 | 4 | 9/ 1/80 | 350,000 |
| Series B | | | |

RAILROADS - continued

Description

Rate of Interest

Maturity

Carrying Value

| | | | |
|--------------------------------|---------|----------|---------------------|
| Chesapeake & Ohio Railway Co.: | | | |
| Refunding and improvement | 3-1/2 % | 8/ 1/96 | \$ 9,000 |
| Mortgage, Series E | | | |
| Chicago, Burlington & Quincy | | | |
| Railroad Co.: | | | |
| Equipment Trust | 4 | 8/ 1/77 | 200,000 |
| Louisville & Nashville Rail- | | | |
| road Co.: | | | |
| Equipment Trust Series RR | 5-1/8 | 3/15/77 | 387,000 |
| Equipment Trust Series QQ | 4-3/8 | 3/15/77 | 134,000 |
| St. Louis & San Francisco | | | |
| Railway Co.: | | | |
| Equipment Trust Series O | 4-3/8 | 5/ 15/77 | 200,000 |
| Total Railroads | | | \$ 1,707,000 |

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.: | | | |
| Tel. & Tel. Co.: | 8-7/8 | 8/ 1/03 | 1,000,000 |
| American | | | |
| Debtures | 3-3/8 | 4/ 1/85 | 200,000 |
| Debtures | 4.385 | 4/ 1/85 | 125,000 |
| Debtures | 3-7/8 | 7/ 1/90 | 100,000 |
| Debtures | 4-3/8 | 2/ 1/94 | 250,000 |
| Debtures | 5-1/2 | 1/ 1/97 | 250,000 |
| Debtures | 4-3/4 | 6/ 1/98 | 100,000 |
| Debtures | 5-1/8 | 4/ 1/01 | 200,000 |
| American Tel. & Tel. | 8.8 | 5/15/05 | 2,000,000 |
| Appalachian Elec. Power Co.: | 8-5/8 | 2/ 1/07 | 2,000,000 |
| 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.: | | | |
| Debtures | 4-3/4 | 5/ 1/01 | 200,000 |
| Blackstone Valley Elec. Co. | 6-1/2 | 6/ 1/97 | 100,000 |
| Brookton Edison | 8-3/8 | 9/ 1/03 | 500,000 |
| Buffalo Niagara Electric Co. | 2-3/4 | 11/ 1/75 | 500,000 |
| 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 |

PUBLIC UTILITIES - Continued

| <u>Description</u> | <u>Rate of Interest</u> | <u>Maturity</u> | <u>\$</u> | <u>Carrying Value</u> |
|--------------------------------|-------------------------|-----------------|-----------|-----------------------|
| First and General Mortgage | 4-7/8 | 5/ 1/87 | 48,000 | |
| First Power & Light Co. | 4-3/4 | 4/ 1/89 | 25,000 | |
| Central Power & Light Co. | 8-5/8 | 4/ 1/09 | 500,000 | |
| Chesapeake Potomac Tel. | 7-1/4 | 5/ 1/00 | 500,000 | |
| Chesapeake Potomac Tel. | 8-3/4 | 3/ 1/10 | 500,000 | |
| Chesapeake Potomac Tel. | 4-1/8 | 5/ 1/87 | 250,000 | |
| Chesapeake Potomac Tel. | 3-5/8 | 9/ 1/80 | 150,000 | |
| Cincinnati Gas & Electric | 4-7/8 | 10/ 1/90 | 150,000 | |
| Columbia Gas System, Inc.: | | | | |
| Debentures | | | | |
| Commonwealth Edison: | | | | |
| 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 | |
| Sinking Fund Debentures | 4-7/8 | 2/ 1/90 | 100,000 | |
| Sinking Fund Debentures | 8-7/8 | 10/ 1/00 | 500,000 | |
| Connecticut Light & Power Co.: | | | | |
| First Refunding Mortgage | 4-5/8 | 12/ 1/93 | 300,000 | |
| Consolidated Edison Co.: | 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.: | | | | |
| First Mortgage | 3-1/4 | 2/ 1/82 | 100,000 | |
| Dayton Power & Light Co. | 8-1/4 | 10/ 1/99 | 500,000 | |
| Dayton Power & Light Co. | 8 | 11/ 1/03 | 1,000,000 | |
| First Mortgage | 3-7/8 | 6/ 1/88 | 250,000 | |
| Delaware Power & Light Co. | 7 | 11/ 1/98 | 250,000 | |
| Delmarva Power | | | | |
| 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 | |
| First Refunding Mortgage | 4-1/2 | 2/ 1/92 | 100,000 | |
| 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 | |

PUBLIC UTILITIES - Continued

| <u>Description</u> | <u>Rate of Interest</u> | <u>Maturity</u> | <u>\$</u> | <u>Carrying Value</u> |
|--------------------------------------|-------------------------|-----------------|-----------|-----------------------|
| Duquesne Light Co. | 7-1/4 | 1/ 1/03 | 500,000 | |
| Florida Mortgage | 3-1/8 | 6/ 1/78 | 100,000 | |
| Florida Mortgage | 4-5/8 | 3/ 1/95 | 100,000 | |
| Florida Mortgage | 7-3/8 | 6/ 1/02 | 1,000,000 | |
| Florida Mortgage | 4-3/4 | 10/ 1/90 | 91,000 | |
| Florida Mortgage | 4-7/8 | 11/ 1/95 | 250,000 | |
| Florida Mortgage | 7 | 12/ 1/98 | 250,000 | |
| Florida Mortgage | 7-5/8 | 1/10/01 | 250,000 | |
| Florida Power | | | | |
| 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 | |
| First Mortgage | 5-3/4 | 3/ 1/92 | 200,000 | |
| Debentures | 7-1/8 | 12/ 1/98 | 500,000 | |
| Debentures | 10-1/4 | 12/ 1/04 | 1,000,000 | |
| General Telephone of Ohio | 7-3/8 | 4/ 1/01 | 500,000 | |
| Georgia Power | | | | |
| First Mortgage | 5-1/4 | 12/ 1/89 | 100,000 | |
| First Mortgage | 4-7/8 | 7/ 1/90 | 200,000 | |
| First Mortgage | 7-7/8 | 12/ 1/00 | 500,000 | |
| First Mortgage | 9-1/4 | 5/ 1/00 | 500,000 | |
| First Mortgage | 7-5/8 | 12/ 1/01 | 500,000 | |
| Hartford Electric | | | | |
| Hartford Electric | 4-3/4 | 11/ 1/87 | 25,000 | |
| Houston Lighting & Power: | | | | |
| First Mortgage | 4-7/8 | 8/ 1/89 | 75,000 | |
| First Mortgage | 5 | 5/15/89 | 250,000 | |
| Idaho Power 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 | 7/ 1/94 | 100,000 | |
| First Mortgage | 6 | 3/ 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 | 4-5/8 | 1/ 1/91 | 200,000 | |
| Iowa Power & Light Co. | 7-1/8 | 4+5/8 | 500,000 | |
| Kansas City Power | 4-5/8 | 2/ 1/99 | 500,000 | |
| Kansas Gas & Electric Co. | 4-5/8 | 1/ 1/91 | 250,000 | |
| Kentucky Utilities Co. | 9-1/8 | 4/ 1/04 | 1,400,000 | |
| 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 & Light | 7-1/2 | 11/ 1/02 | 500,000 | |
| Louisiana Power & Light | 9-3/4 | 5/ 1/04 | 1,000,000 | |
| Madison Gas & Electric | 6-7/8 | 10/ 1/92 | 295,000 | |
| Metropolitan Edison | | | | |
| Michigan Bell Telephone Co.: | | | | |
| Debentures | 6-3/8 | 2/ 1/05 | 500,000 | |
| Debentures | 4-5/8 | 8/ 1/96 | 175,000 | |

PUBLIC UTILITIES - Continued

| <u>Description</u> | <u>Rate of Interest</u> | <u>Maturity</u> | <u>Carrying Value</u> |
|-------------------------------------|-------------------------|-----------------|-----------------------|
| Nichigan Bell Telephone | 8-5/8 | 2/ 1/10 | 500,000 |
| Nichigan Consolidated Co. | 3-1/2 | 8/ 1/76 | 150,000 |
| Minnesota Power & Light Co. | 4-3/4 | 3/ 1/87 | 20,000 |
| Kongohela Power Co. | 3 | 9/ 1/77 | 50,000 |
| Mountain State P. & T. | 8 | 10/ 1/09 | 1,000,000 |
| Mountaineer Electric Co.: | | | |
| 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. | 6-5/8 | 10/15/97 | 700,000 |
| New Jersey Bell Telephone Co. | 3-1/4 | 5/ 1/84 | 100,000 |
| New Jersey Bell Telephone Co. | 2-1/4 | 11/ 1/00 | 100,000 |
| New Jersey Power & Light Co. | 4-7/8 | 10/ 1/90 | 100,000 |
| New Orleans Public Service | 5 | 6/ 1/91 | 200,000 |
| 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/ 1/80 | 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 |
| Northern States Power Co.: | | | |
| First Mortgage | 7 | 11/ 1/88 | 250,000 |
| 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. | 7 | 1/ 1/05 | 500,000 |
| Ohio Bell Telephone Co. | 6-1/4 | 1/ 1/06 | 500,000 |
| Ohio Edison Co.: | | | |
| First Mortgage | 5 | 2/ 1/06 | 250,000 |
| Ohio Power Co.: | | | |
| First Mortgage | 4-3/4 | 6/ 1/91 | 100,000 |
| First Mortgage | 6-5/8 | 10/ 1/79 | 500,000 |
| Oklahoma Gas & Elec. Co.: | | | |
| First Mortgage | 4-7/8 | 11/ 1/87 | 100,000 |
| First Mortgage | 3-7/8 | 6/ 1/88 | 200,000 |
| Pacific Gas & Electric Co.: | | | |
| First & Ref. Mortgage | 5-1/8 | 1/ 1/97 | 250,000 |
| First & Ref. Mortgage | 4-1/2 | 12/ 1/86 | 50,000 |
| First & Ref. Mortgage | 4-1/2 | 12/ 1/88 | 30,000 |
| First & Ref. Mortgage | 4-1/2 | 6/ 1/93 | 200,000 |
| First & Ref. Mortgage | 4-5/8 | 6/ 1/97 | 150,000 |

PUBLIC UTILITIES - Continued

| <u>Description</u> | <u>Rate of Interest</u> | <u>Maturity</u> | <u>Carrying Value</u> |
|-------------------------------------|-------------------------|-----------------|-----------------------|
| 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 |
| Debentures | 7-7/8 | 12/ 1/01 | 1,000,000 |
| Pennsylvania Electric Co.: | | | |
| 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 |
| Philadelphia Electric | 3-1/8 | 4/ 1/85 | 80,000 |
| Potomac Elec. Power Co. | 8-3/8 | 8/15/75 | 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 | 7/15/91 | 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 |
| Southwestern Bell: | | | |
| Debentures | 8-3/4 | 9/ 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 |
| Southern Bell Tel. & Tel. | 8 | 2/15/04 | 2,000,000 |
| Southwestern Bell Tel. | 8-1/4 | 3/ 1/14 | 2,000,000 |
| Southwestern Bell Tel. | 8-1/4 | 1/15/15 | 2,000,000 |
| Southwestern Public Service Co. | 5-3/5 | 2/ 1/81 | 50,000 |
| Tampa Electric Co. | 4-1/4 | 7/ 1/98 | 150,000 |
| Tennessee Gas Transmission Co.: | | | |
| First Mortgage Pipeline | 3-7/8 | 2/ 1/76 | 50,000 |
| First Mortgage Pipeline | 4-3/4 | 11/ 1/76 | 58,000 |

PUBLIC UTILITIES - Continued

| Description | Rate of Interest | Maturity | Carrying Value |
|------------------------------------|------------------|----------|----------------|
| First Mortgage Pipeline | 5-1/4 % | 11/ 1/79 | 78,000 |
| First Mortgage Authority | 8-1/4 | 10/15/94 | 500,000 |
| Tennessee Valley Authority | 7-3/4 | 7/ 1/98 | 1,000,000 |
| Tennessee Valley Authority | 4-1/2 | 2/ 1/95 | 100,000 |
| Tennessee Electric Service Co. | 4-1/2 | 1/ 1/91 | 250,000 |
| Texas Power & Light Co. | 7-1/2 | 2/ 1/02 | 1,000,000 |
| Texas Power & Light Co. | | | |
| Union Electric Co. of Missouri: | | | |
| First Mortgage | 4-3/8 | 3/ 1/88 | 100,000 |
| First Mortgage | 7-3/8 | 5/ 1/99 | 500,000 |
| First Mortgage | 7/ 1/89 | 7/ 1/89 | 200,000 |
| The Union Light, Heat & Power Co.: | | | |
| United Gas Corp. | 5 | 11/ 1/80 | 88,000 |
| United Gas Corp. | 4-7/8 | 9/ 1/90 | 100,000 |
| Utah Power & Light Co.: | | | |
| Virginia Electric & Power Co.: | | | |
| First Ref. Mortgage | 3-7/8 | 6/ 1/88 | 200,000 |
| First Ref. Mortgage | 4-5/8 | 9/ 1/90 | 150,000 |
| First Ref. Mortgage | 7-3/8 | 3/ 1/01 | 500,000 |
| Virginia Electric | 4-7/8 | 5/ 1/86 | 100,000 |
| Washington Gas & Light Co. | | | |
| West Penn Power Co.: | | | |
| First Mortgage | 2-7/8 | 3/ 1/79 | 100,000 |
| First Mortgage | 4-7/8 | 12/ 1/95 | 275,000 |
| First Mortgage | 9-5/8 | 6/ 1/00 | 500,000 |
| West Penn Power | 2-1/4 | 2/ 1/87 | 250,000 |
| Western Union Telegraph Co. | 7-1/4 | 1/ 1/99 | 250,000 |
| West Texas Utilities | 8 | 7/ 1/01 | 1,000,000 |
| Wisconsin Power & Light Co. | 3-1/4 | 10/ 1/84 | 100,000 |
| Wisconsin Public Service Corp. | 7-1/4 | 5/15/99 | 500,000 |
| Wisconsin Telephone Co.: | | | |
| Debentures | 5-1/2 | 7/ 1/92 | 25,000 |
| Total Public Utilities | | | \$77,034,000 |

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.: | | | |
| Equipment Trust | 5-1/2 % | 4/15/82 | 117,000 |
| American Brands, Inc. | 8-1/8 | 2/ 1/85 | 1,000,000 |
| Aluminum Co. of America | 3-7/8 | 4/ 1/83 | 50,000 |
| American Can Co.: | | | |
| Debentures | 3-3/4 | 4/ 1/88 | 200,000 |
| American Tobacco Co. | 4-3/4 | 7/15/90 | 100,000 |
| Debentures | 5-7/8 | 7/ 1/92 | 250,000 |
| Anheuser Busch, Inc. | 4-1/2 | 3/ 1/89 | 150,000 |

INDUSTRIAL AND MISCELLANEOUS - Continued

| Description | Rate of Interest | Maturity | Carrying Value |
|---|------------------|----------|----------------|
| Avco Corp. | 7-1/2 % | 11/ 1/93 | 250,000 |
| Baxter Laboratories | 4-3/8 | 11/ 1/91 | 250,000 |
| Beneficial Finance Co.: | | | |
| Debentures | 5 | 11/ 1/77 | 100,000 |
| Debentures | 4-3/4 | 5/15/93 | 100,000 |
| Bethlehem Steel Corp.: | | | |
| Consolidated Mortgage Sinking Fund Series K | 3 | 1/ 1/79 | 100,000 |
| Debentures | 5.4 | 1/15/92 | 350,000 |
| Debentures | 4-3/8 | 7/ 1/83 | 172,000 |
| Caterpillar Tractor Co. | 4-1/2 | 11/ 1/77 | 300,000 |
| Commercial Credit Corp.: | | | |
| Debentures | 4-7/8 | 9/15/87 | 150,000 |
| Continental Can Co. | 4-5/8 | 10/ 1/85 | 248,000 |
| Continental Can Co. | 3 | 11/ 1/84 | 161,000 |
| Continental Can Co. | 6 | 12/ 1/91 | 200,000 |
| Dana Corp. | 7-3/4 | 7/15/99 | 500,000 |
| Dow Chemical Co. | 8-7/8 | 5/ 1/00 | 1,000,000 |
| Dow Chemical Co. | 5-1/2 | 3/15/92 | 250,000 |
| Barton, Yale & Towne, Inc. | 5 | 10/15/81 | 200,000 |
| Family Finance Corp. | 4-1/4 | 7/15/92 | 250,000 |
| Food Machine Chemical | 8-1/8 | 1/15/90 | 500,000 |
| Ford Motor Co. | | | |
| General American Transportation Corp.: | | | |
| Equipment Trust | 4-7/8 | 5/ 1/80 | 77,000 |
| Equipment Trust | 4.6 | 11/15/85 | 125,000 |
| General Aniline & Film Corp. | 5-7/8 | 12/ 1/91 | 250,000 |
| General Electric Co. | 3-1/2 | 5/ 1/78 | 300,000 |
| General Motors Acceptance Corp.: | | | |
| Debentures | 3-5/8 | 9/ 1/75 | 100,000 |
| Debentures | 5 | 8/15/77 | 325,000 |
| Debentures | 4 | 3/ 1/79 | 200,000 |
| Debentures | 1 | 1/ 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 | 250,000 |
| Halliburton Co. | 8-1/4 | 11/15/81 | 2,000,000 |
| Household Finance Corp.: | | | |
| Debentures | 4-7/8 | 9/15/93 | 150,000 |
| Debentures | 5 | 7/ 1/92 | 250,000 |
| Industrial Equipment Trust | 6-3/4 | 5/15/83 | 133,000 |
| International Harvester Co. | 4-5/8 | 11/ 1/79 | 350,000 |
| Lakeland Pipeline Co. | 7-1/8 | 4/15/93 | 400,000 |
| Tiggett & Myers Tobacco Co. | 6 | 5/ 1/92 | 500,000 |
| Local Finance Corp. | 5-1/2 | 6/ 1/78 | 200,000 |
| Local Finance Corp. | 4-7/8 | 7/ 1/90 | 250,000 |
| Lone Star Cement Co. | 6-1/2 | 7/15/92 | 500,000 |
| McMillan I. T. D. | 4-7/8 | 8/ 1/90 | 250,000 |
| Montgomery Ward & Co. | 4-7/8 | 6/15/91 | 500,000 |
| National Cash Register | 5.6 | 8/ 1/77 | 28,000 |
| National Tea Co. | 5 | | |

OPTION SECURITIES

BANKS AND HOLDING ORGANIZATIONS

| | Number of Shares | Cost |
|------------------------------|------------------|---------------------|
| Bank of America | 22,344 | 376,228.65 |
| B. of New York Corp. | 7,000 | 201,812.52 |
| Chase Manhattan | 17,000 | 543,993.25 |
| Chemical Bank New York Trust | 6,000 | 210,886.22 |
| Comill Corporation | 16,456 | 270,095.84 |
| First National Bank - Boston | 15,156 | 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 |
| Old Stone Bank | 8,000 | 104,291.00 |
| | | <u>5,230,264.00</u> |

CHEMICALS & DRUGS

| | | |
|------------------------|--------|--------------|
| American Cyanamid | 35,000 | 972,539.88 |
| American Home | 21,000 | 363,047.56 |
| Decton Dickinson | 22,000 | 895,561.68 |
| Dristol Myers | 17,000 | 1,094,505.50 |
| Dow Chemical Corp. | 9,000 | 466,430.25 |
| E.I. Dupont de Nemours | 5,000 | 291,040.41 |
| Kerck & Co., Inc. | 14,000 | 452,834.61 |
| Monsanto 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 |

CONSTRUCTION MATERIAL & EQUIPMENT

| | | |
|---------------------|--------|--------------|
| Caterpillar Tractor | 10,000 | 436,893.36 |
| Johns Kanville | 11,000 | 275,175.72 |
| U.S. Gypsum Co. | 34,000 | 1,030,315.10 |
| Meyerhaeuser Corp. | 29,000 | 621,246.16 |

ELECTRONICS

| | | |
|-----------------------|--------|------------|
| Barron's Corporation | 6,000 | 548,040.80 |
| General Electric Co. | 24,000 | 992,580.23 |
| Hewlett - Packard | 6,000 | 355,885.06 |
| Honeywell Inc. | 7,000 | 557,559.67 |
| International Bus. M. | 6,249 | 653,541.68 |

INDUSTRIAL AND MISCELLANEOUS - Continued

| Description | Rate of Interest | Maturity | Carrying Value |
|------------------------------------|------------------|----------|----------------------|
| Febiseo | 7-3/4 | 5/1/01 | 500,000 |
| Northwest Bancorporation | 4-3/4 | 10/15/90 | 250,000 |
| The Cutlert Co. | 4-1/2 | 7/1/86 | 100,000 |
| Pan American Plate Glass | 5-1/2 | 2/15/80 | 200,000 |
| Pittsburg & Gamble Co. | 4-1/4 | 6/15/95 | 500,000 |
| Proctor & Gamble Co. | 9 | 8/1/81 | 100,000 |
| Scott Paper Co. | 3-7/8 | 6/1/00 | 1,000,000 |
| Sears, Roebuck Acceptance Corp. | 8-7/8 | | |
| Debentures | 5 | 7/15/82 | 50,000 |
| Shell Oil | 4-3/4 | 8/1/83 | 722,000 |
| Standard Oil of California | 4-5/8 | 8/1/86 | 500,000 |
| Standard Oil of Indiana | 5-3/4 | 8/1/92 | 600,000 |
| Texaco, Inc. | 4-1/2 | 10/1/95 | 192,000 |
| Textron, Inc. | 5-7/8 | 5/1/83 | 300,000 |
| Traller Grain Co. | 7-1/8 | 12/1/92 | 200,000 |
| Trans. World Airlines | 4 | 3/1/92 | 200,000 |
| Union Carbide Corp. | 5.3 | 5/1/97 | 1,000,000 |
| United Nuclear | 5 | 2/1/88 | 100,000 |
| United States Steel Corp. | 4 | 7/15/83 | 350,000 |
| Western Electric | 5 | 10/1/95 | 1,000,000 |
| Meyerhaeuser Co. | 8-3/8 | 5/1/91 | 500,000 |
| Xerox Corp. | 5.2 | 11/1/95 | 11,400 |
| | 6 | | |
| Total Industrial and Miscellaneous | | | <u>\$23,018,067.</u> |

| | Number of Shares | Cost |
|--------------------------------|------------------|------------|
| <u>ELECTRONICS - Continued</u> | | |
| Radio Corp. of America | 19,000 | 480,115.75 |
| Texas Instruments | 6,000 | 267,726.29 |
| Westinghouse Electric | 16,000 | 381,141.42 |

| | Number of 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. | 23,000 | 655,023.81 |

| | Number of Shares | Cost |
|-----------------------------|------------------|------------|
| <u>INSURANCE</u> | | |
| Aetna Life | 10,000 | 218,587.40 |
| Chubb Corporation | 18,000 | 445,360.02 |
| Commehtout 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 |
| Liberly Nat'l Life | 22,666 | 498,305.06 |
| Transamerica Corp. | 20,000 | 311,722.56 |
| U.S. Fidelity | 11,400 | 335,678.70 |

| | Number of Shares | Cost |
|---------------------------|------------------|------------|
| <u>NETALS & STEEL</u> | | |
| International Nickel | 13,000 | 352,745.16 |
| Kennecott Copper Corp. | 14,000 | 338,477.00 |

| | Number of Shares | Cost |
|-----------------------------|------------------|--------------|
| <u>MISCELLANEOUS</u> | | |
| American Hospital Supply | 9,000 | 155,520.21 |
| Phrestone 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. | 18,000 | 1,039,987.63 |
| Gillette 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 |

| | Number of Shares | Cost |
|------------------------|------------------|------------|
| <u>PETROLEUM</u> | | |
| 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. | 28,000 | 807,005.15 |

| | Number of Shares | Cost |
|------------------------------|------------------|--------------|
| <u>PAPERMILL - Continued</u> | | |
| Standard Oil of Ind. | 26,000 | 696,645.58 |
| Standard Oil of Ohio | 18,000 | 720,245.06 |
| Texasco, Inc. | 37,000 | 1,135,194.70 |

| | Number of Shares | Cost |
|---------------------------------|------------------|------------|
| <u>PAPER AND PAPER PRODUCTS</u> | | |
| Crown Zellerbach Corp. | 12,000 | 357,787.79 |
| International Paper Co. | 15,000 | 212,127.98 |
| Kimberly Clark Corp. | 15,000 | 494,594.01 |
| Scott Paper Co. | 36,000 | 751,776.24 |

| | Number of Shares | Cost |
|------------------------------|------------------|------------|
| <u>PHOTOGRAPHIC PRODUCTS</u> | | |
| Eastman Kodak Co. | 9,000 | 409,080.02 |
| Polaroid Corp. | 6,000 | 408,051.65 |

| | Number of Shares | Cost |
|-----------------------|------------------|------------|
| <u>RETAIL STORES</u> | | |
| Montgomery Ward & Co. | 5,776 | 116,973.94 |
| J.C. Penney Co. | 10,000 | 306,210.30 |
| Sears, Roebuck & Co. | 7,500 | 310,396.35 |

| | Number of Shares | Cost |
|----------------------------|------------------|------------|
| <u>PUBLIC UTILITIES</u> | | |
| 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 Corp. | 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 | 20,000 | 673,770.70 |
| Southern Company | 34,000 | 791,172.09 |
| Texas Gas Transmission | 19,000 | 624,729.68 |
| Texas Utilities Co. | 50,000 | 751,610.58 |
| Union Electric Co. | 23,000 | 447,211.43 |
| Virginia Electric | 55,000 | 771,255.66 |

Total Common Stocks \$ 55,029,695.00

PREFERRED STOCKS

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

Total Preferred Stocks

MUTUAL FUNDS

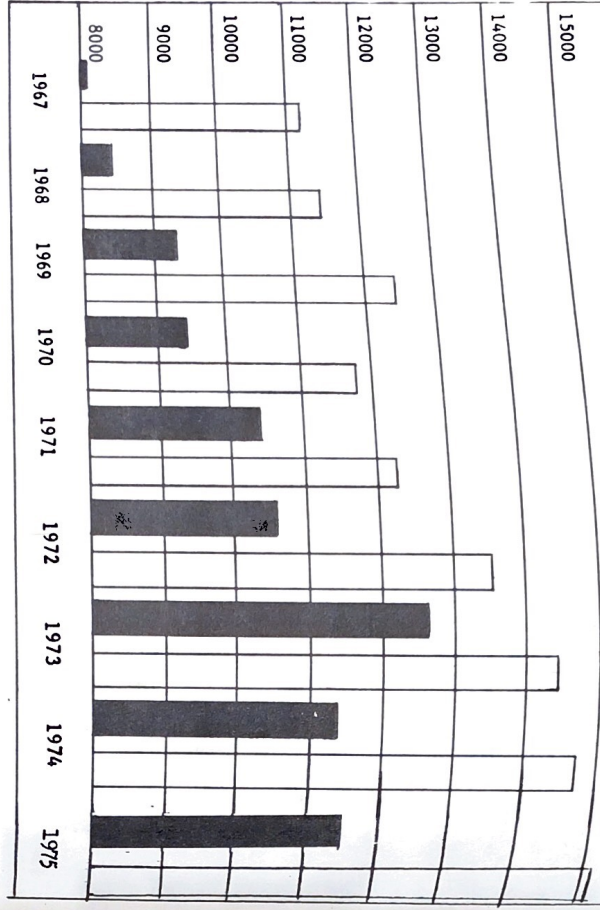
| | Number Of Shares | <u>Cost</u> |
|-----------------------|------------------------|-----------------------------|
| Affiliated Fund, Inc. | 60,392 | 251,030.88 |
| Maas, Investors Trust | 28,337 | 219,691.28 |
| Putnam Income | 20,555 | 152,368.00 |
| | | <u>\$ 623,290.16</u> |
| | | <u><u>\$ 623,290.16</u></u> |

Total Mutual Funds

Highlights

MEMBERSHIP STATISTICS

Active Members



Retired Members

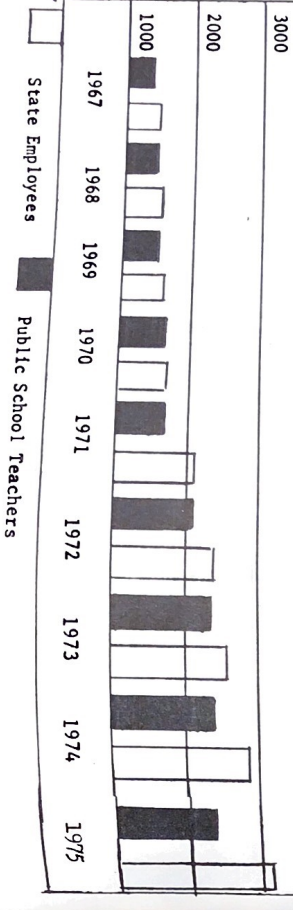


TABLE 1. Number of STATE EMPLOYEE CONTRIBUTORS and Annual Salaries - Classified by 5-year Age Groups

| Age Group | Number | Annual Salaries |
|----------------|--------------|---------------------|
| Less than 25 | 680 | \$ 5,438,584 |
| 25 to 29 incl. | 522 | 5,201,704 |
| 30 to 34 incl. | 577 | 5,774,612 |
| 35 to 39 incl. | 759 | 7,826,762 |
| 40 to 44 incl. | 878 | 9,184,684 |
| 45 to 49 incl. | 901 | 9,330,216 |
| 50 to 54 incl. | 1,015 | 9,476,032 |
| 55 to 59 incl. | 1,036 | 9,721,564 |
| 60 to 64 incl. | 894 | 9,248,372 |
| 65 and over | 648 | 6,711,292 |
| Totals | 7,910 | \$77,913,822 |

TABLE 2. Number of STATE EMPLOYEE CONTRIBUTORS and Annual Salaries - Classified by 5-year Age Groups

| P E M A L E | | |
|--------------------|---------------------|----------------------------|
| <u>Age Group</u> | <u>Number</u> | <u>Annual Salaries</u> |
| Less than 25 | 1,395 | \$ 8,735,245 |
| 25 to 29 incl. | 380 | 3,638,412 |
| 30 to 34 incl. | 347 | 2,688,679 |
| 35 to 39 incl. | 478 | 3,517,855 |
| 40 to 44 incl. | 736 | 5,476,745 |
| 45 to 49 incl. | 969 | 7,136,635 |
| 50 to 54 incl. | 1,077 | 8,384,825 |
| 55 to 59 incl. | 999 | 7,479,447 |
| 60 to 64 incl. | 637 | 5,336,766 |
| 65 and over | <u>372</u> | <u>3,311,569</u> |
| Totals | <u><u>7,390</u></u> | <u><u>\$55,706,178</u></u> |

TABLE 3. Number of STATE EMPLOYEE CONTRIBUTORS and Annual Salaries - Classified by 5-year Service Groups

| M A L E | | |
|--------------------------|---------------------|----------------------------|
| <u>Length of Service</u> | <u>Number</u> | <u>Annual Salaries</u> |
| Less than 5 years | 2,689 | \$22,584,745 |
| 5 to 9 yrs. incl. | 2,024 | 19,852,053 |
| 10 to 14 yrs. incl. | 1,289 | 13,340,565 |
| 15 to 19 yrs. incl. | 909 | 9,512,055 |
| 20 to 24 yrs. incl. | 458 | 5,453,032 |
| 25 to 29 yrs. incl. | 325 | 3,731,268 |
| 30 yrs. and over | <u>216</u> | <u>3,440,104</u> |
| Totals | <u><u>7,910</u></u> | <u><u>\$77,913,822</u></u> |

TABLE 4. Number of STATE EMPLOYEE CONTRIBUTORS and Annual Salaries - Classified by 5-year Service Groups

P E M A L E

| <u>Length of Service</u> | <u>Number</u> | <u>Annual Salaries</u> |
|--------------------------|---------------|------------------------|
| Less than 5 years | 2,916 | \$19,812,674 |
| 5 to 9 yrs. incl. | 2,092 | 14,173,156 |
| 10 to 14 yrs. incl. | 1,007 | 8,039,582 |
| 15 to 19 yrs. incl. | 589 | 5,626,117 |
| 20 to 24 yrs. incl. | 361 | 3,596,889 |
| 25 to 29 yrs. incl. | 243 | 2,477,143 |
| 30 yrs. and over | <u>182</u> | <u>1,980,617</u> |
| Totals | <u>7,390</u> | <u>\$55,706,178</u> |

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

M A L E

| <u>Age Group</u> | <u>Number</u> | <u>Annual Salaries</u> |
|------------------|---------------|------------------------|
| Under age 25 | 537 | \$ 5,319,770 |
| 25 to 29 incl. | 862 | 9,563,020 |
| 30 to 34 incl. | 685 | 7,578,850 |
| 35 to 39 incl. | 613 | 8,396,730 |
| 40 to 44 incl. | 453 | 5,878,130 |
| 45 to 49 incl. | 347 | 4,709,870 |
| 50 to 54 incl. | 246 | 3,262,660 |
| 55 to 59 incl. | 254 | 3,522,340 |
| 60 to 64 incl. | 140 | 2,499,400 |
| 65 and over | <u>92</u> | <u>1,557,970</u> |
| Totals | <u>4,230</u> | <u>\$52,288,740</u> |

TABLE 6. Number of TEACHER-MEMBERS and Annual Salaries - Classified by 5-Year Age Groups

| <u>Age Group</u> | <u>F E M A L E</u> | | |
|------------------|--------------------|------------------------|--|
| | <u>Number</u> | <u>Annual Salaries</u> | |
| Under age 25 | 1,574 | \$17,682,615 | |
| 25 to 29 incl. | 995 | 12,798,731 | |
| 30 to 34 incl. | 529 | 5,941,234 | |
| 35 to 39 incl. | 501 | 5,637,350 | |
| 40 to 44 incl. | 529 | 6,541,243 | |
| 45 to 49 incl. | 508 | 6,413,322 | |
| 50 to 54 incl. | 592 | 7,724,973 | |
| 55 to 59 incl. | 696 | 9,453,684 | |
| 60 to 64 incl. | 647 | 8,721,888 | |
| 65 and over | <u>390</u> | <u>5,126,220</u> | |
| <u>Totals</u> | <u>6,961</u> | <u>\$86,041,260</u> | |

TABLE 7. Number of TEACHER-MEMBERS and Annual Salaries - Classified by 5-Year Service Groups

| <u>Length of Service</u> | <u>M A L E</u> | | |
|--------------------------|----------------|------------------------|--|
| | <u>Number</u> | <u>Annual Salaries</u> | |
| Less than 5 years | 1,481 | \$16,402,010 | |
| 5 to 9 yrs. incl. | 1,066 | 11,649,860 | |
| 10 to 14 yrs. incl. | 744 | 9,940,240 | |
| 15 to 19 yrs. incl. | 728 | 10,630,880 | |
| 20 to 24 yrs. incl. | 50 | 760,500 | |
| 25 to 29 yrs. incl. | 47 | 726,870 | |
| 30 to 34 yrs. incl. | 59 | 1,061,390 | |
| 35 to 39 yrs. incl. | 34 | 681,140 | |
| 40 yrs. and over | <u>21</u> | <u>435,850</u> | |
| <u>Totals</u> | <u>4,230</u> | <u>\$52,288,740</u> | |

TABLE 8. Number of TEACHER-MEMBERS and Annual Salaries - Classified by 5-year Service Groups

| <u>Length of Service</u> | <u>F E M A L E</u> | |
|--------------------------|--------------------|------------------------|
| | <u>Number</u> | <u>Annual Salaries</u> |
| Less than 5 years | 2,783 | \$31,203,886 |
| 5 to 9 yrs. incl. | 1,193 | 11,947,623 |
| 10 to 14 yrs. incl. | 1,058 | 12,482,468 |
| 15 to 19 yrs. incl. | 1,455 | 22,392,069 |
| 20 to 24 yrs. incl. | 69 | 948,856 |
| 25 to 29 yrs. incl. | 84 | 1,311,652 |
| 30 to 34 yrs. incl. | 83 | 1,600,798 |
| 35 to 39 yrs. incl. | 90 | 1,676,770 |
| 40 yrs. and over | <u>146</u> | <u>2,477,138</u> |
| Totals | 6,961 | \$86,041,260 |

TABLE 9. Number of Pensioners Classified by Age and Amount of Annual Payments by STATE EMPLOYEES

| <u>Age</u> | <u>M A L E</u> | |
|----------------|----------------|------------------------|
| | <u>Number</u> | <u>Annual Payments</u> |
| 55 to 59 incl. | 51 | \$ 154,863 |
| 60 to 64 incl. | 238 | 722,694 |
| 65 to 69 incl. | 392 | 1,187,283 |
| 70 to 74 incl. | 460 | 1,393,783 |
| 75 to 79 incl. | 340 | 1,032,420 |
| 80 to 84 incl. | 153 | 464,589 |
| 85 and over | <u>68</u> | <u>206,484</u> |
| Totals | 1,702 | \$5,162,116 |

TABLE 10. Number of Pensioners Classified by Age and Amount of Annual Payments STATE EMPLOYEES

F E M A L E

| <u>Age</u> | <u>Number</u> | <u>Annual Payments</u> |
|----------------|---------------|------------------------|
| 55 to 59 incl. | 36 | \$ 99,517 |
| 60 to 64 incl. | 212 | 577,100 |
| 65 to 69 incl. | 389 | 1,062,846 |
| 70 to 74 incl. | 394 | 1,074,789 |
| 75 to 79 incl. | 256 | 700,603 |
| 80 to 84 incl. | 101 | 278,649 |
| 85 and over | <u>68</u> | <u>187,093</u> |
| Totals | 1,456 | \$3,980,597 |

TABLE 11. Number of Pensioners Classified by Age and Amount of Annual Payments - TEACHERS

M A L E

| <u>Age</u> | <u>Number</u> | <u>Annual Payments</u> |
|----------------|---------------|------------------------|
| 55 to 59 incl. | 13 | \$ 99,860 |
| 60 to 64 incl. | 62 | 461,162 |
| 65 to 69 incl. | 87 | 632,647 |
| 70 to 74 incl. | 118 | 846,815 |
| 75 to 79 incl. | 92 | 724,902 |
| 80 to 84 incl. | 48 | 362,456 |
| 85 and over | <u>24</u> | <u>177,930</u> |
| Totals | 444 | \$3,305,772 |

TABLE 12. Number of Pensioners Classified by Age and Amount of Annual Payments - TEACHERS

| Age | P E N S I O N E R S | |
|----------------|---------------------|---------------------|
| | Number | Annual Payments |
| 55 to 59 incl. | 50 | \$ 323,425 |
| 60 to 64 incl. | 291 | 1,875,865 |
| 65 to 69 incl. | 537 | 3,454,179 |
| 70 to 74 incl. | 542 | 3,492,990 |
| 75 to 79 incl. | 353 | 2,276,912 |
| 80 to 84 incl. | 140 | 905,592 |
| 85 and over | 94 | 608,039 |
| Totals | 2,007 | \$12,937,002 |

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. | Teacher |
| 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. | 74.0 | 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. | 117,846,000. | 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 | 23.0 |
| 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 |
| 1975 | 12,210,282. | 53 | 10,587,575. | 38 | 7,065,233. | 6,006,428. | 131,386,351. | 355,818,255. | 47.8 | 22.3 |

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

From July 1, 1974 - - - To June 30, 1975

| State Employees | | | | | Public School Teachers | | | |
|-----------------|-----------------|--------------|-------------------|-----------------|------------------------|--------------|-------------------|-----------------|
| Pension Range | No. of Pensions | Percent | Yearly Cost | Average Pension | No. of Pensions | Percent | Yearly Cost | Average Pension |
| Under \$2,000 | 151 | 39.1 | 209,747. | 1,389.05 | 5 | 2.7 | 6,166. | 1,233.20 |
| 2/4,000. | 102 | 26.4 | 292,074. | 2,863.47 | 22 | 12.0 | 64,688. | 2,940.36 |
| 4,000. | 35 | 9.1 | 159,967. | 4,570.49 | 17 | 9.2 | 76,249. | 4,485.24 |
| 5,000. | 17 | 4.4 | 96,534. | 5,678.47 | 12 | 6.6 | 65,823. | 5,485.25 |
| 6,000. | 19 | 4.9 | 118,109. | 6,216.26 | 17 | 9.2 | 111,131. | 6,537.12 |
| 7,000. | 9 | 2.3 | 66,087. | 7,343.00 | 19 | 10.3 | 143,036. | 7,528.25 |
| 8,000. | 10 | 2.6 | 83,783. | 8,378.30 | 22 | 12.0 | 188,257. | 8,557.12 |
| 9,000. | 12 | 3.1 | 113,748. | 9,479.00 | 25 | 13.6 | 236,116. | 9,444.64 |
| 10/12,000. | 15 | 3.9 | 163,474. | 10,898.27 | 28 | 15.2 | 293,672. | 10,666.37 |
| Over 12,000. | 16 | 4.2 | 228,069. | 14,254.31 | 17 | 9.2 | 226,940. | 13,349.41 |
| Totals | 386 | 100.0 | 1,531,592. | 3,967.85 | 184 | 100.0 | 1,417,078. | 7,701.51 |

Benefit Summary

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS

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

1. Optional retirement
(a) Age 60 with 10 years of service; after 35 years' service regardless of age; (b) at age 55 after 30 years' service at unreduced retirement annuity; under age 55 with at least 30 years of service on annuity actuarially equated to value at age 55.
2. Vesting
After 10 years' service with deferred annuity payable at age 60; after 35 years' service payable at any time; after 30 years' service with unreduced annuity payable at age 55.
3. Compulsatory retirement
(a) State employees at age 70, except elected or appointed officials; (b) school teachers at age 70 or at end of school year in which age 70 is attained.
4. Amount of annuity
1.7% of final average salary for each of the first 10 years' service;
1.9% for each of the next 10 years;
2.4% for each year above 20.
Maximum: 80% of final average salary.
5. Final average salary defined
Highest average salary for any 3 consecutive years within total service of the member.
6. Post-retirement increment
3% per year based upon original grant of annuity, not compounded, applicable to all beneficiaries.
7. Options - Joint and last survivor annuity
To be elected by member after age 60 after 10 years' service, or at age 50 after 20 years' service. Annuity to beneficiary payable upon death of member in service or on retirement computed under conditions applicable to the service retirement annuity.
8. Occupational disability
66-2/3% of salary in effect at date of disability.
9. Occupational death
(a) Refund of member contributions plus 50% of member's salary to surviving widow; (b) if no widow survives, or if widow remarries, 50% of salary to all surviving minor children to age 18; (c) if no widow or minor children, 50% of salary to dependent parents for life.

10. Nonoccupational disability

After 7 years' service; same rate as retirement annuity. Minimum annuity payment is 26.5% of final average salary.

11. Nonoccupational death

Refund of total member's contribution credits without interest plus benefit of \$400 per year of credited service; minimum payment \$2,000; maximum payment \$8,000.

12. Death after retirement

(a) If no optional benefit is elected by the member, beneficiary of a retired member is entitled to a refund of excess of total member contribution credits without interest over total annuity payments; (b) non-occupational death benefit payable is reduced 25% each year on retirement to minimum of 25% of benefit or \$2,000.

13. Refunds

Upon separation from service, total member contribution credits without interest.

14. Financing

(a) Contributions by State employees, 5% of salary; by teachers 6% of salary. Paid-up status is attained after 38 years' service. (b) Contributions by State are made on partial funded basis according to 5 years projected expenditures. Current rate in effect until June 30, 1977, 6.5% of total salaries for State employees; 9.0% of total salaries for teachers shared equally by the State and the Cities and Towns.

15. Re-employment of service retirees

Re-employment may occur for not more than 75 days a year without loss of retirement pension payments.

16. Provisions for members of the General Assembly
Members contribute 30% of salary. Optional retirement after 8 years of service at age 55 or over. Annuity is \$1,600 per year for 8 years' service increased \$300 per year of service thereafter to maximum of \$6,000.

Former member entering State service other than as a member of the General Assembly, after 2 years' service, may elect to receive the larger of (a) above rate or (b) regular retirement system benefit.

A member may retire after 20 years' service at any age. Upon death in service after 8 years of service, a surviving spouse is entitled to member's annuity.

17. Pension credit for out-of-State or private teaching service
Pension credit for such service is allowable up to 5 years at a cost to employee of 10% of salary at date of application if applied for during first 3 years of service in the State of Rhode Island.

18. Prior military service Pension credit is granted for such service prior to entry into membership at cost of 10% of salary based on first year's salary in Rhode Island.

19. Special survivors benefit for teachers and Towns Cities and Towns who did not elect federal social security coverage for teachers prior to July 1, 1963
 (a) a widow or widower of teacher married at least 1 year before death, or widow of minor child under age 18, or any legally adopted child;
 (b) a natural parent, stepparent or adopting parent who adopted teacher before teacher was age 18;
 (c) any child under age 18, a stepchild before teacher's death, or an adopted child, for at least 1 year before member's death;

for at least 1 year before adopted child who is under age 18 if adoption occurred while married to teacher.

20. Benefits payable under Special Survivors Program
 (a) to widows during widowhood at age 60 or over, if living with husband at his death;
 (b) mother's benefit to widow not entitled to widow's benefit if caring for child under age 18 of member and who has not remarried;

(c) Child's benefit to child under age 18 dependent upon deceased teacher at date of death;

(d) to widower of deceased teacher if age 60 or over and not entitled to social security benefit in excess of benefit payable under this program;

(e) parent's benefit to dependent parents under age 60 if no widow, widower or eligible child survives the member.

21. Financing
 (a) By teachers, 1% of salary up to salary of \$9,600 per year;
 (b) by Cities and Towns, same amount as for teacher. Contributions by teachers must be made for at least 6 months for eligibility of dependents for benefit payments.

22. Refunds to employee leaving service
 (a) Total member contributions payable without interest; (b) a member having no qualified dependents at date of retirement or upon death in service is entitled to refund of contributions, without interest.

23. Illustrative rates of monthly survivors' benefit payments under special survivors' program for certain school teachers.

| Last annual salary | Widow or widower | Mother's Benefit | | Child's Benefit | | |
|--------------------|------------------|------------------|-----------------------------|-----------------|--------------|--------------------|
| | | Mother & 1 child | Mother & 2 or more children | one child | two children | 3 or more children |
| \$3,000 | \$144 | \$236 | \$241 | \$104 | \$236 | \$241 |
| 4,200 | 175 | 288 | 334 | 160 | 288 | 334 |
| 5,400 | 205 | 338 | 421 | 175 | 338 | 421 |
| 6,600 | 240 | 389 | 470 | 200 | 389 | 470 |
| 7,800 | 280 | 447 | 521 | 220 | 447 | 521 |
| 9,000 | 306 | 479 | 558 | 246 | 479 | 558 |
| 9,600 or over | 320 | 492 | 574 | 255 | 492 | 574 |

The monthly amounts for rates of salary not shown in this table will be supplied by the office of the retirement system.