

State of Rhode Island and Providence Plantations



ANNUAL REPORT
OF THE
RETIREMENT BOARD

JUNE 30, 1976

1976

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

RETIREMENT BOARD (AS OF JUNE 30, 1976)	Contents	Page
Raymond H. Hawksley, General Treasurer <i>Chairman</i>	Report of the Board	1
Senator Louis H. Pastore, Jr. <i>Chairman, Senate Finance Committee</i>	Director's Message	4
Representative Paul E. Hanaway <i>House Finance Committee</i>	Report of the Actuary	6
James M. Jerue <i>Director of Administration</i>	Financial Statements	36
Robert E. Liguori <i>Director of Business Regulation</i>	Investments	42
Dr. William P. Robinson <i>Representing Commissioner of Education</i>	Highlights	60
John J. Hudson <i>Public Member</i>	Benefit Summary	79
Norman R. Bergeron <i>Teacher Representative</i>		
Reynolds G. Northup <i>Municipal Employer Representative</i>		
Ralph D. Cuculo <i>Municipal Employee Representative</i>		
Vacant <i>State Employee Representative</i>		
Joseph G. Iannelli <i>Executive Secretary</i>		
A. A. Weinberg <i>Consulting Actuary</i>		
Angelica Gosz <i>Legal Counsel</i>		

RETIREMENT SYSTEM STAFF

Joseph G. Iannelli, Executive Director
John F. Sullivan, Assistant Director

Margaret Sherman, Supervisor	Carlo Mencucci, Senior Accountant
Ruth Vanner, Secretary	Nicholas DiTommaso, Accountant
Dorothy Mancini, Retirement Counselor	Louis Capizano, Accountant
Peggy Nelson, Receptionist	Raymond Kiernan, Accountant
Marilyn Ferri, Account Clerk-Refunds	Jeanette Cronan, Senior Acct. Clerk
Marilyn Neve, Membership Clerk	Evelyn Geremia, Senior Clerk
Ann Raia, Pre-Audit Clerk	Ann Glew, Machine Operator
Jodie Stevenson, Data Systems Clerk	

Report
of the
Board

REPORT OF THE RETIREMENT BOARD

Fortieth Annual Report of the Retirement Board covering the fiscal year ended June 30, 1976.

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 11.3% or \$25,097,769 higher than the previous year for a total of \$247,595,248.

Revenues from all sources for the year amounted to \$26,181,476 for State Employees and \$29,660,039 for Public School Teachers. Expenditures for the year amounted to \$12,501,880 and \$18,255,629 for State Employees and Teachers respectively.

Chart (A) depicts the sources of Revenue and how Expended.

Income from investments for the year amounted to \$15,464,630 including a capital gain of \$689,845. This represents 27.7% of the total revenues. This income is equal to a yield of 6.58% and is compared to the yield of previous years in Chart (B).

Pension benefits which represent the major expenditure item amounted to \$9,635,535 for State Employees and Legislators and \$15,216,413 for Teachers and Teachers Survivors. To this was added the Cost of Living Adjustment which amounted to \$748,731 for State Employees and \$1,647,312 for Teachers. A comparative chart of the Cost of Living Adjustment graphically depicts the facts in this regard and the trend thereof. Chart (C) covers Cost of Living from inception to the close of the last fiscal year.

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

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

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

UNFUNDED ACCRUED 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, 1976 was 46.6% for State Employees and 21.5% for Teachers and is compared to the Security Ratio for preceeding years, per Chart (D).

CONCLUDING COMMENT

Consistent with prior years, a normal increase in reserves was recorded. In keeping with established procedures, an actuarial valuation was made which illustrates current operational results and the financial condition of the system at the end of the fiscal year. The results of operations were satisfactory.

A sincere thanks, is extended to the officials of our State government and the members of the administrative staff for their cooperation and dedicated service rendered during the year.

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

Executive Director

Director's Message



Director's Message

I am pleased to report that "One-Stop Retirement Service" is now available to Rhode Island Public Employees with the Retirement Division now located at 198 Dyer Street, downtown Providence. Only a corridor separates the Retirement Office and the Federal Social Security Administration. This is a convenience to public employees coming under both pension programs. Our new quarters provide a reception room, private interview rooms, a board room for meetings of the Retirement Board and also ample working space. The new facility allows staff to better meet the increased membership needs and demands.

The 1976 fiscal year was characterized by the enactment of legislation affecting the composition of the Retirement Board and the financing of the System including increases in employee and employer contributions. The purpose of these changes obviously is to improve the financial position of the system and assure the fiscal integrity of the pension fund and should over a forty year period reduce the unfunded liability.

We are presently in the process of conducting an election to reorganize the Retirement Board increasing the membership from eleven to fifteen; two active state employee members, two active teacher members, one active municipal member and one retired member of the system. Approximately 40,000 members will be eligible to vote.

Of special interest to the membership is that your Executive Director, representing the National Association of State Retirement Administrators, presented oral testimony before the Labor Standards Sub-Committee of the U.S. House of Representatives at a hearing on H.R. 9155. This is the bill setting Federal Regulations and Standards for state and local government systems. I opposed the federal plan on the basis that federal regulation of public retirement systems is unnecessary and unwarranted and that regulations, if necessary, should be left to the discretion of the state and local governments. Most importantly, there is the question of states' rights and the separation of powers between the states and federal government which gives rise to both constitutional and political issues. In view of the changing economic, social and political conditions we feel strongly that the basic factors inherent in their operation justify continuation of state responsibility. There is no overwhelming evidence that public retirement plans as a whole have failed in handling responsibilities.

I believe that public retirement systems serve an essential public service and have been successful in, a) attracting competent personnel and retaining personnel who might otherwise leave for other employment, b) making it possible to retire aged and disabled persons who might otherwise continue at full salaries, c) creating a spirit that engenders better public service.

The operation of the Retirement System could not be accomplished without the dedicated service and loyal efforts of the staff, the guidance and support of the Board of Trustees, the concern and understanding of the Governor and the members of the Rhode Island Legislature, our actuarial firm and our Legal Counsel, therefore, I hereby express my deep appreciation and thanks to all.

Joseph G. Iannelli

Executive Director

*Report
of the
Actuary*



A. A. WEINBERG
CONSULTING ACTUARY
CHICAGO 60604

RETIREMENT & PENSION PLANS
CERTIFIED PUBLIC ACCOUNTANT

MEMBER - AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

Part 1. PURPOSE

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

The liabilities incurred for the several benefits comprising the benefit schedule are calculated and the reserves required to meet these accrued liabilities for the lifetime of the members are established. The factors of mortality, turnover in employment and investment earnings are basic factors in this determination. Other factors are considered in the process, including the rates of salary and their progression to the assumed ages of retirement of the members, disability expectancies, and others of pertinence in this process.

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

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

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

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

Arbitrary adjustments may be made by the actuary of the results of the valuation with respect to cost factors applicable to future years in order to give effect to expected variations in future operations of some significance from the past operating experience.

Part 2. BASIS OF VALUATION

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

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

Age	Rates per 1,000			
	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	Mortality only			

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

8. Marital status - 85% of employees in service were assumed to be married with the average age of the wives 4 years less than that of the employees. 65% of the State employees and 50% of the teachers retiring on pension were assumed to be married
9. Administrative expense - None.

Part 3. MEMBERSHIP STATISTICS

Statistics were compiled by the office staff of the system and made available in detailed form. These statistics were tabulated for this valuation. Statistical tables reflecting this data, on a 5-year group basis, are presented in the appendix. A summary thereof is as follows:

	State Employees		Teachers	
	Male	Female	Male	Female
<u>ACTIVE CONTRIBUTORS</u>				
Number	7,960	7,326	4,252	6,924
Percent of total	52.1%	47.9%	38.0%	62.0%
Annual salaries	\$88,716,164	\$62,562,610	\$53,176,864	\$86,679,279
Average salary	\$11,128	\$8,525	\$12,506	\$12,518
Average age	44.0	40.5	36.4	37.3
Average service	8.8	7.3	9.2	9.5
<u>PENSIONERS</u>				
Total number at 6/30/76	1,892	1,598	459	2078
Percent of total	54.2%	45.8%	18.1%	81.9%
Average age at June 30, 1976	71.0	75.6	70.5	70.7

Part 4. FUNDING THE PENSION COST

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

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

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

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

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

Partial funding. For the purpose of curtailing appropriations for pensions by the State, a partial funding method was established by the State government some years ago by an amendment to the pension law replacing the actuarial reserve method then in effect which had been in the law from the inception of the system in 1936. This partial funded method provided for a projection of pension and benefit expenditures for a period of 10 years with the annual contributions by the State to be the average annual expenditures for the ensuing 10-year period. This period for calculating the appropriations was reduced to 5 years upon recommendation of a legislative committee, thus having the effect of further curtailing appropriations by the State.

Upon recommendation of the actuary, the rates of contribution to the system under this method were fixed by the retirement board in 1972 at 6.5% of payroll for State employees and 9.0% of payroll for school teachers. The latter amount is divided equally between the State and the Cities and Towns as provided by law.

Under this partial funding method, because of the continuous upward trend in pension payments by the system, additional revenues over and above total expenditures have resulted each year. These have been credited to the reserves. For the 1976 fiscal year these additional revenues amounted to \$2,286,149.

Part 5. RESULTS OF VALUATION

An actuarial valuation of the system has been completed as of June 30, 1976. A valuation balance sheet, embodying the results of the computation of reserves and liabilities, is presented in the following pages. The procedure followed in the preparation of this statement is similar to that used by accountants in the preparation of a financial balance sheet, except that a valuation balance sheet is broader in scope. It includes, in addition to the present assets and current liabilities, the actuary's evaluation of the accrued pension liabilities for the earned pension credits of the participating employees.

Some indication of the financial stability of a retirement system may be had by a comparison of the total accrued liabilities for the earned and matured pension credits at the end of a fiscal period with the amount of net present assets. Thus, the extent to which these pension credits are covered by present assets is determined. In the case of the Employees' Retirement System, it is noted that at June 30, 1976 the ratio of net present assets to total accrued liabilities was 30.4%. This compares with a rate of 31.2% a year ago. This rate is considerably below a level that is considered by students of pensions as a reasonable measure of coverage of accrued liabilities by net present assets for a public employee retirement system. The objective rate is to have assets equal approximately to 2/3rds of accrued liabilities.

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

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

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

VALUATION BALANCE SHEET - JUNE 30, 1976
Statement of Assets, Liabilities and Reserves

A S S E T S

NET PRESENT ASSETS

Cash	\$	253,052
Investments (Amortized book value for bonds - cost for stocks)		243,941,049
Accrued interest receivable		<u>3,450,272</u>
		\$247,644,373
Less Current Liabilities		<u>49,125</u>
		\$247,595,248

UNFUNDED ACCRUED LIABILITY

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

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

VALUATION BALANCE SHEET

JUNE 30, 1976

VALUATION BALANCE SHEET - JUNE 30, 1976
Statement of Assets, Liabilities and Reserves

RESERVE REQUIREMENTS

RESERVE REQUIREMENTS

1. MEMBER CONTRIBUTIONS -

<u>State Employees -</u>		
For service retirement and disability annuities	\$ 22,849,722	
For future refunds	<u>21,488,341</u>	\$ 44,338,063

<u>Teacher-Members -</u>		
For service retirement and disability annuities	\$ 41,785,038	
For future refunds	<u>17,488,206</u>	59,273,244

2. TEACHERS' SURVIVOR BENEFITS -

12,337,251

3. EMPLOYER CONTRIBUTIONS -

For service retirement and disability annuities on active members -

<u>State Employees -</u>		
Total requirements	\$167,638,627	
Less, employee contributions	<u>22,849,722</u>	144,788,905

<u>Teacher-Members -</u>		
Total requirements	\$335,174,698	
Less, employee contributions	<u>41,784,038</u>	293,390,660

4. RETIREMENT AND BENEFITS RESERVE -

State employees		98,187,332
-----------------	--	------------

Teacher-members		<u>163,301,717</u>
-----------------	--	--------------------

<u>TOTAL</u>		<u>\$815,617,172</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 Executive Director of the system as of June 30, 1976.

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

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

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

Reserve for Employer Contributions represents the employers' portion of the accrued pension credits for those employees

now in service who will ultimately qualify for retirement and disability pensions.

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

Part 6. VESTED BENEFITS

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

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

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

after 35 years of service and retire on pension regardless of age. Also, an employee may retire between ages 55 and 60 years upon completion of at least 30 years of service.

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

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

	<u>State Employees</u>	<u>Teachers</u>
Members in service	\$ 85,613,997	\$ 96,726,541
Members on retirement	<u>98,187,332</u>	<u>163,301,717</u>
Total value of all contractual vested benefits	<u>\$183,801,329</u>	<u>\$260,028,258</u>

Part 7. PROJECTION OF FUTURE PENSION AND BENEFIT PAYMENTS

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

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

The projection of future pension and benefit payouts presented below shows at 3-year intervals the estimated amounts of such payments that the system will be required to meet in future years under the present provisions of the retirement law.

<u>Year</u>	<u>Amounts of future pension and benefit payments (in millions)</u>
1976	\$27.3
1979	47.1
1982	58.0
1985	69.3
1988	82.0
1991	95.7

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

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

Part 8. 1976 STATE LEGISLATION AFFECTING THE SYSTEM

ACT NO. 129. PENSION CREDIT FOR NATIONAL GUARD TECHNICIANS.

An employee who entered State service prior to December 31, 1968 and rendered service as a "national guard technician" is entitled to pension credit in the Employees' Retirement System between January 1, 1946 and December 31, 1968, provided he makes written application to the Retirement Board before December 31, 1976, and makes payment, in a single sum, of an amount equal to the full actuarial cost of such service as determined by the Board.

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

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

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

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

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

ACT NO. 315. OFFSET OF CREDIT UNION LOAN AGAINST REFUNDS.

An assignment, will be required, upon application for refund, of employee contributions in the Employees' Retirement System, upon separation from service, of all or part of the employee contribution credits in the system, for the payment of any outstanding credit union loan made by the employee.

Part 9. PROPOSED FEDERAL LEGISLATION

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

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

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

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

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

Part 10. FUNDING PENSION LIABILITIES

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

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

The foregoing illustrates the accrual or reserve principle underlying a retirement plan. Actuarial procedure is predicated upon the accrual concept. It underlies all retirement fund operations. Even if a retirement law did not specifically spell out the method of financing these pension credits, actuarial procedure and the accrual principle would be implicit in its basic provisions. Rates of contribution are formulated with the view of accumulating adequate reserves to cover the earned pension credits for meeting the ultimate payouts for retirement

and other benefits. Total revenues accruing from these rates are substantially in excess of the current expenditures for benefits. This excess represents the reserve required for meeting the future pension and benefit payments.

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

In its true concept, pension cost is a current operating expense of government. It is an obligation which cannot logically be deferred. It has a direct and immediate relationship to the entire fiscal operations of government. There is no short cut method or formula for financing this cost. A retirement plan is considered to be a legitimate employee welfare program of governmental concern. The principle that government should bear a measure of responsibility for employees whose productivity has become impaired due to old age or disability is now generally accepted. Since this is the case, government should face up to its responsibility in this area. It should be willing to meet

the cost of pensions on the most practical and economical basis. The only real method is the one that reflects the accruing or current budgeting concept.

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

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

The "projected benefit method", frequently referred to as the "entry-age normal-cost" or "aggregate level cost", provides for the projection of the benefits to be earned by the employees and the contributions to be made to finance these benefits. This is the method employed in the financing of the Employees' Retirement System. Supplemental liabilities are provided for

accrued pension credits previously earned by the members and unfunded. The cost of ancillary benefits covering disability or death may be funded on a one-year term premium basis considering the basic character of such benefits.

CERTIFICATION

The accompanying Valuation Balance Sheet presents the assets, accrued liabilities and reserves of the system as of June 30, 1976. Present assets were taken from the financial statements submitted by the system.

In our opinion, this Valuation Balance Sheet correctly presents the condition of the Employees' Retirement System of the State of Rhode Island at June 30, 1976 after giving effect to all accrued liabilities and actuarial reserve requirements for the several annuities and benefits under the applicable law in effect at such date.

A. A. Weinberg
Actuary

December 30, 1976

Comparative Financial Balance Sheet

June 30

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

Financial Statements

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

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

EXPENDITURES

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

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

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

Distribution of Excess Revenue

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

ANALYSIS OF INVESTMENT INCOME
FISCAL YEAR ENDED JUNE 30, 1976

\$ 10,073,290

Investment Income - Interest

Add: Accrued Interest June 30, 1976	\$ 3,450,272
Accrued Interest July 1, 1975	-2,895,215
	555,057

Discounts Amortized

1,129,741

Total Additions

1,684,798

Total

\$ 11,758,088

Less: Accrued Interest Purchased
Premiums Amortized

\$ 219,375
44,139

Total Deductions

263,514

Net Interest Earned

11,494,574

Dividends

3,280,211

Total Earned on Investments

\$ 14,774,785

Capital Gain

689,845

Total Investment Income

\$ 15,464,630

Distribution of Investment Income
Fiscal Year Ended - June 30, 1976

	<u>State</u> <u>Employees</u>	<u>Teachers</u>	<u>Teachers</u> <u>Survivors</u>	<u>Total</u>
--	----------------------------------	-----------------	-------------------------------------	--------------

Members Reserves:

Balance July 1, 1975	\$ 40,712,808	\$ 53,601,141	\$ 3,328,984	\$ 97,642,933
" June 30, 1976	44,338,063	59,273,244	3,761,603	107,372,910

General Reserves:

Balance July 1, 1975	79,502,028	37,853,741	7,495,022	124,850,791
" June 30, 1976	81,268,535	35,672,611	7,813,248	124,754,394

	Total	\$245,821,434	\$186,400,737	\$22,398,857	\$454,621,028
--	-------	---------------	---------------	--------------	---------------

	Average	\$122,910,717	\$ 93,200,369	\$11,199,428	\$227,310,514
--	---------	---------------	---------------	--------------	---------------

	%	54.07	41.00	4.93	100.0
--	---	-------	-------	------	-------

Distribution	\$ 8,361,655	\$ 6,340,444	\$ 762,400	\$ 15,464,499
--------------	--------------	--------------	------------	---------------

Investments

SUMMARY OF INVESTMENTS

OPERATIONS: (July 1, 1975 - June 30, 1976)

Total Investments - July 1, 1975	\$ 216,656,176
<u>Add:</u>	
Purchases During the Year	165,927,253
	<hr/>
	\$ 382,583,429
<u>Deduct:</u>	
Redemptions & Sales During the Year	137,503,727
	<hr/>
Total Investments at June 30, 1976	\$ 245,079,702
	<hr/> <hr/>

INVESTMENT ACCOUNT: (By Type of Security)

<u>Type</u>	<u>Cost or Par</u>	<u>Proportion of Total</u>
U.S. Government	\$ 36,799,000	15.02 %
Federal Land Banks	3,000,000	1.22
Government National Mortgage	5,977,945	2.44
Federal National Mortgage	3,585,000	1.46
International Bank for Reconstruction	2,700,000	1.10
Certificates of Deposit	3,300,000	1.35
Commercial Paper	11,025,000	4.50
State & Municipal Bonds	680,000	0.28
Railroad Bonds	1,707,000	0.70
Public Utility Bonds	77,184,000	31.49
Industrial Bonds	36,360,733	14.83
Preferred Stocks	1,353,392	0.55
Common Stocks	55,536,362	22.66
Bank Stocks	4,797,940	1.96
Mutual Funds	1,073,330	.44
	<hr/>	
	\$ 245,079,702	100.00 %
	<hr/> <hr/>	<hr/> <hr/>

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	5.0 %	7/01/76	\$ 1,000,000
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	2,000,000
Treasury Bonds	7-3/4	8/15/77	1,700,000
Treasury Bonds	8	2/28/78	1,000,000
Treasury Bonds	7-7/8	5/15/78	1,000,000
Treasury Bonds	6	11/15/78	1,000,000
Treasury Bonds	7-7/8	5/15/79	1,000,000
Treasury Bonds	6-1/4	8/15/79	3,809,000
Treasury Bonds	4	2/15/80	200,000
Treasury Bonds	4	2/15/80	1,000,000
Treasury Bonds	6-7/8	5/15/80	900,000
Treasury Bonds	6-7/8	5/18/80	500,000
Treasury Bonds	7-3/4	11/15/81	2,500,000
Treasury Bonds	6-3/8	2/15/82	2,170,000
Treasury Bonds	8-1/8	8/15/82	2,000,000
Treasury Bonds	7-7/8	11/15/82	2,000,000
Treasury Bonds	8	2/15/83	400,000
Treasury Bonds	3-1/4	6/15/83	1,825,000
Treasury Bonds	4-1/8	5/15/85	500,000
Treasury Bonds	4-1/4	5/15/85	500,000
Treasury Bonds	4-1/4	5/15/85	1,000,000
Treasury Bonds	7-7/8	5/15/86	2,500,000
Treasury Bonds	3-1/2	2/15/90	945,000
Treasury Bonds	4-1/4	8/15/92	2,300,000
Treasury Bonds	6-7/8	8/15/93	850,000
Treasury Bonds	7-7/8	2/15/00	500,000
Total United States of America			\$36,799,000

INVESTMENTS OWNED

<u>Description</u>	<u>Rate of Interest</u>	<u>Maturity</u>	<u>Carrying Value</u>
<u>THE TWELVE FEDERAL LAND BANKS</u>			
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			\$ 3,000,000
<u>GOVERNMENT NATIONAL MORTGAGE ASSOCIATION</u>			
Note	7-1/4 %	1/15/04	\$ 481,755.30
Note	7-1/4	10/15/05	498,480.97
Note	7-1/4	5/15/05	992,266.90
Note	7-1/4	9/15/05	996,044.21
Note	7-1/4	9/15/05	991,214.03
Note	8-1/2	2/15/06	2,018,183.11
Total Government National Mortgage Association			\$ 5,977,944.52
<u>FEDERAL NATIONAL MORTGAGE ASSOCIATION</u>			
Note	5.35 %	4/01/79	\$ 100,000
Note	5.40	6/23/80	340,000
Note	5.25	4/01/81	445,000
Note	5.20	1/19/82	200,000
Note	7.75	3/10/83	2,500,000
Total Federal National Mortgage Association			\$ 3,585,000

Description	Rate of Interest	Maturity	Carrying Value
<u>INTERNATIONAL BANK FOR RECONSTRUCTIONS AND DEVELOPMENT</u>			
Bonds	4-1/4 %	1/15/79	\$ 100,000
Bonds	8.15	1/01/85	2,000,000
Bonds	5-3/8	4/01/92	<u>600,000</u>
Total International Bank for Reconstruction and Development			\$ 2,700,000

<u>CERTIFICATES OF DEPOSIT</u>			
Citizens Trust Co.	5-1/2 %	7/23/76	\$ 1,300,000
Citizens Trust Co.	5-1/4	8/27/76	<u>2,000,000</u>
Total Certificates of Deposit			\$ 3,300,000

<u>COMMERCIAL PAPER</u>			
Armco Leasing Corp.	5-5/8 %	7/08/76	\$ 2,000,000
Massey Ferguson Credit Corp.	5-3/4	7/08/76	2,525,000
Seagrams	5-1/2	7/29/76	2,000,000
F.W. Woolworth Co.	5-3/4	9/29/76	2,500,000
Texas Eastern Transmission	6-1/4	10/28/76	<u>2,000,000</u>
Total Commercial Paper			\$ 11,025,000

<u>STATE OF RHODE ISLAND</u>			
Blackstone Valley Sewer District Loan of 1952:			
Series B	2-1/2 %	5/01/86	\$ 50,000
Series C	2-3/4	5/01/83	120,000
Penal & Charitable Inst.	4	3/01/77	10,000
State Office Building	4	6/01/77	12,000
Third Courthouse Loan	4	3/20/81	22,000
Washington Bridge Loan	4	5/01/77	<u>6,000</u>
Total State of Rhode Island			\$ 220,000

<u>MUNICIPALITIES</u>			
City of Cranston:			
School, Series E	2.7 %	2/15/78-79	\$ 68,000
School, Series C	2.9	11/15/76-78	70,000
School, Series B	3.6	7/01/76	35,000
Sewerage, Series E	1-3/4	10/01/80-81	<u>5,000</u>

Description	Rate of Interest	Maturity	Carrying Value
<u>MUNICIPALITIES - Continued</u>			
Sewerage, Series D			
City of East Providence:	2 %	6/01/78	\$ 4,000
Elementary School Sewer Trunk Extension Street & Drainage			
	3-3/4	2/01/78	15,000
	2-1/5	7/01/76	18,000
	3-3/4	2/01/78	<u>35,000</u>
Town of Hopkinton:			
School Building and Equip.	2-3/4	12/01/82-84	20,000
Town of Narragansett:			
Beach Repair School Construction			
	2.7	1/01/77-80	48,000
	3.7	5/01/82	<u>34,000</u>
City of Newport:			
Sewer and Anti-Pollution	3.7	7/01/76	15,000
Town of North Providence:			
Funding Highway Construction			
	3-1/2	7/01/76	10,000
	3-1/3	7/01/76	<u>10,000</u>
City of Warwick:			
School School			
	2-7/10	12/01/84-86	30,000
	3-1/4	10/01/79	<u>5,000</u>
Town of West Warwick:			
Sewer	2-7/10	7/01/78-79	30,000
City of Woonsocket:			
Junior High School	4-1/4	4/15/77	<u>8,000</u>
Total Municipalities			\$ 460,000

<u>RAILROADS</u>			
Alabama Great Southern Railroad:			
Equipment Trust	5-1/2	8/01/79-80	\$ 198,000
Atchison, Topeka & Santa Fe Railway:			
General Mortgage	4	1/01/95	100,000
Atlantic Coast Line Railway:			
Bonds	5-5/8	8/15/79	129,000
Baltimore & Ohio Railroad Co:			
First Consolidated Mortgage Series B	4	9/01/80	<u>350,000</u>

<u>Description</u>	<u>Rate of Interest</u>	<u>Maturity</u>	<u>Carrying Value</u>
<u>RAILROADS - Continued</u>			
Chesapeake & Ohio Railway Co.: Refunding and Improvement Mortgage, Series E	3-1/2 %	8/01/96	\$ 9,000
Chicago, Burlington & Quincy Railroad Co.:	4	8/01/77	200,000
Equipment Trust Louisville & Nashville Railroad Co.:		3/15/77	387,000
Equipment Trust Series RR	5-1/8	3/15/77	134,000
Equipment Trust Series QQ	4-3/8		
St. Louis & San Francisco Railway Co.:		5/15/77	200,000
Equipment Trust Series O	4-3/8		\$ 1,707,000
Total Railroads			

PUBLIC UTILITIES

Alabama Power Co.:	4-7/8 %	5/01/89	\$ 195,000
First Mortgage	4-7/8	9/01/95	100,000
First Mortgage	8-7/8	8/01/03	1,000,000
Alabama Power Co.			
American Tel. & Tel. Co.:		4/01/85	200,000
Debentures	3-3/8	4/01/85	125,000
Debentures	4.385	7/01/90	100,000
Debentures	3-7/8	2/01/94	250,000
Debentures	4-3/8	1/01/97	250,000
Debentures	5-1/2	6/01/98	100,000
Debentures	4-3/4	4/01/01	200,000
Debentures	5-1/8	5/15/05	2,000,000
American Tel. & Tel.	8.8	2/01/07	2,000,000
American Tel. & Tel.	8-5/8		
Appalachian Elec. Power Co.:			
First Mortgage	7-1/2	12/01/98	500,000
First Mortgage	4-5/8	3/01/87	25,000
First Mortgage	4	5/01/88	100,000
Arkansas Power & Light	8	6/01/03	1,000,000
Baltimore Gas & Electric	4-7/8	6/01/80	89,000
Baltimore Gas & Electric	7-5/8	9/01/01	1,000,000
Bell Telephone Co. of Pa.:			
Debentures	4-3/4	5/01/01	200,000
Blackstone Valley Electric Co.	6-1/2	6/01/97	100,000
Brockton Edison	8-3/8	9/01/03	500,000
Carolina Power & Light Co.	5-1/8	4/01/96	250,000
Central Illinois Light Co.	4	7/01/88	100,000
Central Main Power Co.:			
First and General Mtg.	3-3/8	4/01/85	50,000
First and General Mtg.	4-7/8	5/01/87	48,000
Central Power & Light Co.	4-3/4	4/01/89	25,000

<u>Description</u>	<u>Rate of Interest</u>	<u>Maturity</u>	<u>Carrying Value</u>
<u>PUBLIC UTILITIES - Continued</u>			
Chesapeake Potomac Tel.	8-5/8 %	4/01/09	\$ 500,000
Chesapeake Potomac Tel.	7-1/4	5/01/09	500,000
Chesapeake Potomac Tel.	8-3/4	3/01/10	500,000
Cincinnati Gas & Electric	4-1/8	5/01/87	250,000
Columbia Gas System, Inc.:			
Debentures	3-5/8	9/01/80	150,000
Debentures	4-7/8	10/01/90	150,000
Commonwealth Edison:			
Sinking Fund Debentures	4-1/4	3/01/87	50,000
Sinking Fund Debentures	3-3/4	3/01/88	50,000
Sinking Fund Debentures	6-1/4	2/01/98	850,000
Sinking Fund Debentures	6-3/4	7/01/98	400,000
Sinking Fund Debentures	6-3/8	10/01/98	500,000
Sinking Fund Debentures	8	10/15/03	1,000,000
Sinking Fund Debentures	3-1/8	10/01/04	75,000
Connecticut Light & Power Co.:			
First Refunding Mortgage	4-7/8	2/01/90	100,000
Connecticut Light	8-7/8	10/01/00	500,000
Consolidated Edison Co.:			
First Refunding Mortgage	4-5/8	12/01/93	300,000
First Refunding Mortgage	2-5/8	4/01/77	125,000
First Refunding Mortgage	4-1/4	10/01/86	300,000
First Refunding Mortgage	5	10/01/87	225,000
First Refunding Mortgage	4	6/01/88	100,000
Consolidated Natural Gas Co.:			
Debentures	4-7/8	6/01/82	84,000
Debentures	4-3/8	8/01/83	200,000
Debentures	5	2/01/85	133,000
Debentures	9	7/01/95	500,000
Consumers Power Co.:			
First Mortgage	4-5/8	8/01/91	250,000
First Mortgage	4-5/8	8/01/89	250,000
First Mortgage	7-1/2	1/01/01	500,000
Dayton Power & Light Co.:			
Dayton Power & Light Co.	3-1/4	2/01/82	100,000
Dayton Power & Light Co.	8-1/4	10/01/99	500,000
First Mortgage	8	11/01/03	1,000,000
Delaware Power & Light Co.	3-7/8	6/01/88	250,000
Delmarva Power	7	11/01/98	250,000
Detroit Edison Co.:			
Gen. Ref. Mortgage	3-3/8	11/15/76	200,000
Gen. Ref. Mortgage	3-1/4	5/15/80	100,000
Duke Power Co.:			
First Refunding Mortgage	4-1/2	2/01/92	100,000
Duke Power	8-1/2	3/01/00	1,000,000
Duquesne Light Co.	3-1/8	7/01/84	60,000
Duquesne Light Co.	7-1/4	1/01/03	500,000
Duquesne Light Co.	7-1/4	1/01/03	500,000
Florida Power & Light Co.:			
First Mortgage	3-1/8	6/01/78	100,000
First Mortgage	4-5/8	3/01/95	100,000
Florida Power Corp.	7-3/8	6/01/02	1,000,000
First Mortgage	4-3/4	10/01/90	91,000

Description	Rate of Interest	Maturity	Value
<u>PUBLIC UTILITIES - Continued</u>			
First Mortgage	4-7/8 %	11/01/95	\$ 250,000
First Mortgage	7	12/01/98	250,000
Florida Power	7-5/8	1/10/01	250,000
General Telephone Co. of California:			
First Mortgage	4-1/2	9/01/86	50,000
First Mortgage	5	6/01/87	50,000
First Mortgage	5	12/01/95	100,000
Debentures	5-3/4	3/01/92	200,000
Debentures	7-1/8	12/01/98	500,000
General Telephone of Ohio	10-1/4	12/01/04	1,000,000
Georgia Power	7-3/8	4/01/01	500,000
Gulf State Utilities Co.:			
First Mortgage	5-1/4	12/01/89	100,000
First Mortgage	4-7/8	7/01/90	200,000
Gulf State	7-7/8	12/01/00	500,000
Hartford Electric	9-1/4	5/01/00	500,000
Hartford Electric	7-5/8	12/01/01	500,000
Houston Lighting & Power:			
First Mortgage	4-3/4	11/01/87	25,000
First Mortgage	4-7/8	8/01/89	75,000
Idaho Power Co.	5	5/15/89	250,000
Illinois Bell Telephone Co.:			
First Mortgage	3-1/8	4/01/84	53,000
First Mortgage	4-1/4	3/01/88	100,000
First Mortgage	4-3/8	3/01/94	100,000
First Mortgage	6	7/01/98	250,000
First Mortgage	8	6/01/05	500,000
Indiana & Michigan Elec. Co.:			
Sinking Fund Debentures	5-1/8	6/01/86	100,000
First Mortgage	4-3/4	11/01/88	50,000
Iowa Electric	7-7/8	12/01/00	500,000
Iowa Power & Light Co.	4-5/8	1/01/91	200,000
Kansas City Power	7-1/8	2/01/99	500,000
Kansas Gas & Electric Co.	4-5/8	1/01/91	250,000
Kentucky Utilities Co.	9-1/8	4/01/04	1,400,000
Long Island Lighting Co.:			
First Mortgage	3-5/8	11/01/85	50,000
First Mortgage	3-5/8	12/01/76	275,000
Louisiana Power & Light	5	4/01/90	200,000
Louisiana Power & Light	7-1/2	11/01/02	500,000
Madison Gas & Electric	9-3/4	5/01/04	1,000,000
Metropolitan Edison	6-7/8	10/01/92	295,000
Michigan Bell Telephone Co.:			
Debentures	6-3/8	2/01/05	500,000
Debentures	4-5/8	8/01/96	175,000
Michigan Bell Telephone	8-5/8	2/01/10	500,000
Michigan Consolidated Co.	3-1/2	8/01/76	150,000
Minnesota Power & Light Co.	4-3/4	3/01/87	50,000
Monogahela Power Co.	3	9/01/77	50,000
Mountain State T. & T.	8	10/01/09	1,000,000
Narragansett Electric Co.:			
First Mortgage	3-1/2	3/01/86	200,000

Description	Rate of Interest	Maturity	Carrying Value
<u>PUBLIC UTILITIES - Continued</u>			
New Bedford Gas	8-1/8 %	12/01/95	\$ 472,000
New England Power	4	6/01/88	200,000
New England Power	7-5/8	7/01/02	1,000,000
New England Power	8-5/8	8/01/03	1,000,000
New England Tel. & Tel.	7-3/8	10/15/97	700,000
New Jersey Bell Telephone Co.			
New Jersey Bell Telephone Co.	3-1/4	5/01/84	100,000
New Jersey Power & Light Co.	4-7/8	11/01/00	100,000
New Orleans Public Service	5	10/01/90	100,000
New York State Electric & Gas Corp.			
New York State Electric & Gas Corp.	4-5/8	5/01/91	200,000
New York Telephone Co.:			
Refunding Mortgage	3-1/8	2/01/78	150,000
Refunding Mortgage	3	10/15/89	110,000
Refunding Mortgage	4-1/8	7/01/93	100,000
Refunding Mortgage	4-1/8	7/01/93	25,000
Refunding Mortgage	4-7/8	1/01/06	250,000
Refunding Mortgage	7-1/2	3/01/09	500,000
Niagara Mohawk Power Co.:			
General Mortgage	3-7/8	1/01/88	300,000
General Mortgage	4-3/4	4/01/90	200,000
Northern Illinois Gas Co.	5	6/01/84	151,000
Northern Illinois Gas	8	7/01/98	1,000,000
Northern Natural Gas:			
Debentures	7-1/4	5/01/88	300,000
Debentures	7	11/01/88	250,000
Northern States Power Co.:			
First Mortgage	4	7/01/88	100,000
First Mortgage	6-3/4	6/01/98	500,000
Northwest Bell	7	1/01/09	500,000
Northwestern Bell Tel.	6-1/4	1/01/09	500,000
Ohio Bell Telephone Co.	5	2/01/06	250,000
Ohio Edison Co.:			
First Mortgage	4-3/4	6/01/91	100,000
Ohio Power Co.:	6-5/8	10/01/79	500,000
First Mortgage	4-7/8	11/01/87	100,000
Oklahoma Gas & Electric Co.:			
First Mortgage	3-7/8	6/01/88	200,000
First Mortgage	5-1/8	1/01/97	250,000
Pacific Gas & Electric Co.:			
First & Ref. Mortgage	4-1/2	12/01/86	50,000
First & Ref. Mortgage	3-3/8	12/01/88	50,000
First & Ref. Mortgage	4-1/2	6/01/93	200,000
First & Ref. Mortgage	4-5/8	6/01/97	150,000
First & Ref. Mortgage	5-3/8	6/01/98	250,000
Pacific Power & Light Co.	5	10/01/95	100,000
Pacific Tel. & Tel. Co.:			
Debentures	4-3/8	8/15/88	300,000
Debentures	3-1/8	11/15/89	100,000

Description	Rate of Interest	Maturity	Carrying Value
<u>PUBLIC UTILITIES - Continued</u>			
Debentures	3-5/8 %	8/15/91	\$ 50,000
Debentures	4-5/8	6/01/00	150,000
Pennsylvania Electric Co.:	7-7/8	12/01/01	1,000,000
First Mortgage	3-1/8	3/01/84	100,000
Peoples Gas Light & Coke Co.	4-5/8	5/01/86	182,000
Philadelphia Electric Co.:		10/01/89	100,000
First Mortgage	5	4/01/85	80,000
First Mortgage	3-1/8	11/15/09	1,500,000
Potomac Electric Power Co.	8-3/8		
Public Service Co. of Colorado:		5/01/87	100,000
First Mortgage	4-3/8	10/01/91	200,000
First Mortgage	4-1/2	1/01/01	1,000,000
Public Service Ind.	7-5/8		
Public Service Co. of New Hampshire	3-1/4	11/01/84	96,000
Public Service Electric & Gas Co.:		3/01/77	301,000
Debentures	4-5/8	6/01/91	200,000
Debentures	5-3/4	9/01/95	250,000
First Ref. Mortgage	4-3/4	8/01/88	65,000
First Ref. Mortgage	4-5/8	6/01/89	200,000
First Ref. Mortgage	5-1/8	7/01/87	250,000
Southern Bell	2-7/8	4/15/16	2,000,000
Southern Bell	8-1/4		
Southern California Edison Co.:		8/15/76	130,000
First Mortgage	3-1/8	9/01/85	100,000
First Ref. Mortgage	4-3/8	5/15/91	250,000
First Ref. Mortgage	5-1/4	2/15/93	400,000
First Ref. Mortgage	6-3/8	11/01/01	500,000
South Central Bell Tel.	8-1/2	5/01/08	500,000
Southern New England Tele.	8-1/8		
Southwestern Bell Tel. Co.:		5/01/83	100,000
Debentures	3-1/8	8/01/07	1,000,000
Southwestern Bell:	8-3/4	6/01/08	250,000
Debentures	6-3/4	9/01/05	750,000
Southwest Bell Telephone	8-1/4	2/01/11	500,000
Southwest Bell Telephone	6-7/8	2/15/04	2,000,000
Southern Bell Tel. & Tel.	8	3/01/14	2,000,000
Southwestern Bell Tel.	8-1/4	1/15/15	2,000,000
Southwestern Bell Tel. Co.	9-1/4		
Southwestern Public Service Co.	3.35	2/01/81	50,000
Tampa Electric Co.	4-1/4	7/01/88	150,000
Tennessee Gas Transmission Co.:		11/01/76	58,000
First Mortgage Pipeline	4-3/4	11/01/79	78,000
First Mortgage Pipeline	5-1/4	10/15/94	500,000
Tennessee Valley Authority	8-1/4	7/01/98	1,000,000
Tennessee Valley Authority	7-3/4	2/01/95	100,000
Texas Electric Service Co.	4-1/2		

Description	Rate of Interest	Maturity	Carrying Value
<u>PUBLIC UTILITIES - Continued</u>			
Texas Power & Light Co.	4-1/2 %	1/01/91	\$ 250,000
Texas Power & Light Co.	7-1/2	2/01/02	1,000,000
Union Electric Co. of Missouri:			
First Mortgage	4-3/8	3/01/88	100,000
First Mortgage	7-3/8	5/01/99	500,000
The Union Light, Heat & Power Co.	5	7/01/89	200,000
United Gas Corp.	5	11/01/80	88,000
Utah Power & Light Co.	4-7/8	9/01/90	100,000
Virginia Electric & Power Co.:			
First Ref. Mortgage	3-7/8	6/01/88	200,000
First Ref. Mortgage	4-5/8	9/01/90	150,000
Virginia Electric	7-3/8	3/01/01	500,000
Washington Gas & Light Co.	4-7/8	5/01/86	100,000
West Penn Power Co.:			
First Mortgage	2-7/8	3/01/79	100,000
First Mortgage	4-7/8	12/01/95	275,000
West Penn Power	9-5/8	6/01/00	500,000
Western Union Telegraph Co.	5-1/4	2/01/87	250,000
West Texas Utilities	7-1/4	1/01/99	250,000
Wisconsin Power & Light Co.	8	7/01/01	1,000,000
Wisconsin Public Service Corp.	3-1/4	10/01/84	100,000
Wisconsin Telephone Co.:	7-1/4	5/15/99	500,000
Debentures	5-1/2	7/01/92	25,000
Total Public Utilities			\$ 77,184,000

BANKS

The Chase Manhattan Bank:	4.6 %	6/02/90	\$ 600,000
Convertible Notes	4-7/8	5/01/93	500,000
Citicorp	5.7	6/30/00	1,500,000
J.P. Morgan & Co.	8.0	3/05/86	2,000,000
Philadelphia National Bank	5-1/2	3/01/92	200,000
Total Banks			\$ 4,800,000

INDUSTRIAL AND MISCELLANEOUS

American Car & Foundry Co.:			
Equipment Trust	5-1/2 %	4/15/82	\$ 100,000
American Brands, Inc.	8-1/8	3/01/85	1,000,000
Alluminum Co. of America	3-7/8	4/01/83	50,000
American Can Co.:			
Debentures	3-3/4	4/01/88	200,000

<u>Description</u>	<u>Rate of Interest</u>	<u>Maturity</u>	<u>Carrying Value</u>
<u>INDUSTRIAL AND MISCELLANEOUS</u> - Continued			
Debtentures	4-3/4 %	7/15/90	\$ 100,000
American Cyanamid Co.	8-3/8	3/15/06	2,500,000
American Tobacco Co.	5-7/8	7/01/92	250,000
Anheuser Busch, Inc.	4-1/2	3/01/89	150,000
Avco Corp.	7-1/2	11/01/93	250,000
Baxter Laboratories	4-3/8	11/01/77	100,000
Beneficial Finance Co.:	5	5/15/93	100,000
Debtentures	4-3/4		
Debtentures			
Bethlehem Steel Corp.:			
Consolidated Mortgage Sinking		1/01/79	100,000
Fund, Series K	3	1/15/92	350,000
Debtentures	5.4	7/01/83	172,000
Burroughs Corp.	4-3/8	11/01/77	300,000
Caterpillar Tractor Co.	4-1/2		
Commercial Credit Corp.:		9/15/87	150,000
Debtentures	4-7/8	10/01/85	248,000
Continental Can Co.	4-5/8	11/01/84	161,000
Continental Oil Co.	3	12/01/91	200,000
Dana Corp.	6	7/15/99	500,000
Dow Chemical Co.	7-3/4	5/01/00	989,000
Dow Chemical Co.	8-7/8	1/15/06	2,500,000
Dow Chemical Co.	8-1/2	11/15/04	2,000,000
Dupont E.I. DeNemours	8-4/5	3/15/92	250,000
Eaton, Yale & Towne, Inc.	5-1/2	10/15/81	200,000
Family Finance Corp.	5	7/15/92	250,000
Food Machine Chemical	4-1/4	1/15/90	500,000
Ford Motor Co.	8-1/8		
General American			
Transportation Corp.:		5/01/80	77,000
Equipment Trust	4-7/8	11/15/85	125,000
Equipment Trust	4.6		
General Aniline & Film Corp.	5-7/8	12/01/91	250,000
General Motors Acceptance Corp.:			
Debtentures	5	8/15/77	325,000
Debtentures	4	3/01/79	200,000
Debtentures	4-7/8	12/01/87	200,000
W.T. Grant Co.	4-3/4	1/01/87	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.:			
Debtentures	4-7/8	9/15/93	150,000
Debtentures	5	7/01/92	250,000
Industrial Equipment Trust	6-3/4	5/15/83	117,000
International Harvester Co.	4-5/8	11/01/79	350,000
Lakehead Pipeline Co.	7-1/8	4/15/93	400,000
Liggett & Myers Tobacco Co.	6	5/01/92	500,000
Local Finance Corp.	5-1/2	6/01/78	200,000
Lone Star Cement Co.	4-7/8	7/01/90	250,000

<u>Description</u>	<u>Rate of Interest</u>	<u>Maturity</u>	<u>Carrying Value</u>
<u>INDUSTRIAL AND MISCELLANEOUS</u> - Continued			
MacMillan L. T. D.	6-1/2 %	7/15/92	\$ 500,000
Montgomery Ward & Co.	4-7/8	8/01/90	250,000
National Cash Register	5.6	6/15/91	500,000
National Tea Co.	5	8/01/77	28,000
Nabisco	7-3/4	5/01/01	500,000
Northwest Bancorporation	4-3/4	10/15/90	250,000
The Outlet Co.	5-1/2	7/01/86	100,000
Pan American Airlines	5-1/4	2/15/89	200,000
Pittsburg Plate Glass	9	6/15/95	500,000
Proctor & Gamble Co.	3-7/8	9/01/81	100,000
Scott Paper Co.	8-7/8	6/01/00	1,000,000
Sears, Roebuck			
Acceptance Corp.:			
Debtentures	5	7/15/82	50,000
Debtentures	4-3/4	8/01/83	722,000
Shell Oil	4-5/8	8/01/86	500,000
Standard Oil of California	5-3/4	8/01/92	600,000
Standard Oil of Indiana	4-1/2	10/01/93	192,000
Texaco, Inc.	3-5/8	5/01/83	300,000
Textron, Inc.	5-7/8	5/01/92	200,000
Trailer Train Co.	7-1/8	12/01/82	93,333
Trans. World Airlines	4	3/01/92	200,000
Union Carbide Corp.	5.3	5/01/97	1,000,000
United Nuclear	5	2/01/88	100,000
United States Steel Corp.	4	7/15/83	350,000
Western Electric	8-3/8	10/01/95	1,000,000
Weyerhaeuser Co.	5.2	5/01/91	500,000
Xerox Corp.	8.2	11/01/82	2,000,000
Xerox Corp.	6	11/01/95	11,400
Total Industrial and Miscellaneous			\$ 31,560,733

COMMON STOCKSBANKS AND HOLDING COMPANIES

Bank of America
 B.T. New York Corp.
 Chase Manhattan
 Chemical Bank New York Trust
 Conill Corporation
 First National Bank - Boston
 Industrial National Bank
 Manufacturers Hanover
 J.P. Morgan
 R.I. Hospital Trust National
 State Street Bank & Trust
 U.S. Trust Co., N.Y.
 Western Bancorporation
 Old Stone Bank

	Number of Shares	Cost
	22,344	376,228.65
	7,000	301,812.52
	17,000	543,992.25
	6,000	210,886.22
	16,456	270,095.84
	15,196	355,743.33
	66,285	431,281.75
	10,000	126,013.13
	22,000	302,420.84
	49,784	722,466.03
	5,670	113,635.00
	11,999	242,831.25
	22,900	696,242.18
	8,000	104,291.00
		<u>4,797,940.00</u>

CHEMICALS & DRUGS

American Cyanamid
 American Home
 Becton Dickinson
 Bristol Myers
 Dow Chemical Corp.
 E.I. Dupont de Nemours
 Merck & Co., Inc.
 Monsanto Co.
 Pfizer (Chas.) Co.
 G.D. Searle & Co.
 Union Carbide
 Warner Lambert

	35,000	972,539.88
	21,000	363,047.56
	22,000	895,561.68
	17,000	1,094,505.50
	18,000	466,430.25
	5,000	591,040.41
	14,000	452,834.61
	15,999	690,827.60
	26,000	784,093.14
	30,000	717,250.33
	29,000	1,281,771.25
	24,000	957,970.62

CONSTRUCTION MATERIAL & EQUIPMENT

Caterpillar Tractor
 Johns Manville
 U.S. Gypsum Co.
 Weyerhaeuser Corp.

	10,000	436,893.36
	11,000	275,175.72
	34,000	1,030,315.10
	29,000	621,246.16

ELECTRONICS

Burroughs Corporation
 General Electric Co.
 Hewlett - Packard
 Honeywell Inc.
 International Bus. M.

	6,000	548,040.80
	24,000	992,590.23
	6,000	355,885.06
	7,000	557,559.67
	6,249	655,541.68

ELECTRONICS - Continued

Radio Corp. of America
 Texas Instruments
 Westinghouse Electric

	Number of Shares	Cost
	19,000	480,115.75
	6,000	267,726.29
	16,000	381,141.42

FOOD

Campbell Soup Co.
 Corn Products Co.
 General Foods
 Squibb, Beech-Nut, Inc.

	14,000	320,455.28
	23,000	811,511.30
	38,500	1,164,504.10
	23,000	655,023.81

INSURANCE

Aetna Life
 Chubb Corporation
 Connecticut General Life
 Franklin Life Insurance Co.
 I N A Corporation
 Liberty Nat'l. Life
 Transamerica Corp.
 U.S Fidelity

	10,000	218,587.40
	18,000	445,360.02
	17,500	704,348.58
	15,000	385,833.31
	11,000	443,223.15
	22,666	498,305.06
	26,000	311,722.56
	11,400	335,678.70

METALS & STEEL

International Nickel
 Kennecott Copper Corp.

	13,000	352,745.16
	14,000	338,477.00

MISCELLANEOUS

American Express Co.
 American Hospital Supply
 Firestone Tire & Rubber Co.
 Foxboro Co.
 Friendly Ice Cream Corp.
 General Motors Corp.
 Gillette Co.
 Minnesota Mining
 National Cash
 Owens Corning
 Proctor & Gamble Co.
 Xerox

	3,000	67,757.75
	9,000	155,520.21
	21,000	555,599.79
	18,000	498,650.07
	15,000	395,204.29
	18,000	1,039,987.63
	7,000	301,406.94
	14,000	701,147.83
	30,000	996,840.00
	14,000	598,751.51
	5,000	223,044.57
	8,000	789,681.49

PETROLEUM

Atlantic Richfield Co.
 Exxon Corporation
 Gulf Oil Corp.
 Mobil Oil
 Phillips Petroleum Co.
 Shell Oil Co.
 Standard Oil of Calif.

	15,000	905,833.74
	11,000	712,423.95
	32,000	860,965.45
	10,000	333,431.44
	19,000	633,136.40
	13,000	631,145.70
	28,000	807,005.15

PETROLEUM - Continued

Standard Oil of Ind.
Standard Oil of Ohio
Texaco, Inc.

	<u>Number of Shares</u>	<u>Cost</u>
	29,200	857,249.58
	18,000	720,245.06
	37,000	1,135,194.70

PAPER AND PAPER PRODUCTS

Crown Zellerbach Corp.
International Paper Co.
Kimberly Clark Corp.
Scott Paper Co.

	12,000	357,787.79
	15,000	512,127.98
	15,000	494,594.01
	36,000	751,776.24

PHOTOGRAPHIC PRODUCTS

Eastman Kodak Co.
Polaroid Corp.

	9,000	409,080.02
	6,000	408,051.65

RETAIL STORES

Montgomery Ward & Co.
J.C. Penney Co.
Sears, Roebuck & Co.

	5,776	116,973.94
	10,000	306,210.30
	7,500	310,396.35

PUBLIC UTILITIES

Allegheny Power
American Electric
American Tel. & Tel.
Arizona Public Service
Central & Southwest
Cleveland Electric
Commonwealth Edison
Consumers Power Co.
Florida Power & Light
Florida Power Corp.
General Public Utility
Gulf State
Iowa Electric
Iowa Power
Middle So. Utilities, Inc.
Niagara Mohawk Power
Northeast Utilities
Northern States Power Co.
Ohio Edison
Panhandle E. Pipeline
Southern Company
Texas Gas Transmission
Texas Utilities Co.
Union Electric Co.
Virginia Electric

	26,000	596,211.74
	23,200	694,040.91
	17,000	900,611.44
	27,000	645,956.71
	34,000	678,227.00
	18,000	619,242.23
	16,999	561,153.11
	19,000	584,647.57
	27,000	927,935.93
	12,000	482,268.26
	24,000	609,974.42
	22,000	458,359.43
	20,000	387,012.34
	8,000	188,169.39
	17,000	306,334.40
	28,000	511,923.35
	20,000	290,941.45
	29,501	843,087.87
	22,000	535,134.57
	24,000	796,049.55
	34,000	791,172.09
	19,000	624,729.68
	35,000	841,610.58
	23,000	447,211.43
	35,000	771,255.66

Total Common Stocks

\$ 55,536,362.00

PREFERRED STOCKS

American Tel. & Tel.
Atlantic Richfield Co.
Champion International
C N A Financial
I T T Corporation
Northern Illinois Gas
Quaker Oats Co.
Woolworth, F.W.

	<u>Number of Shares</u>	<u>Cost</u>
	1,000	52,250.00
	4,000	94,226.57
	6,000	175,456.15
	11,000	356,174.80
	3,000	84,162.90
	363	12,247.33
	4,000	265,548.43
	6,000	313,325.31

Total Preferred Stocks

\$ 1,353,391.49

MUTUAL FUNDS

Mass. Investors Trust
Mass. Financial Bond Fund

	<u>Number of Shares</u>	<u>Cost</u>
	1	7.75
	72,952.191	1,073,321.97

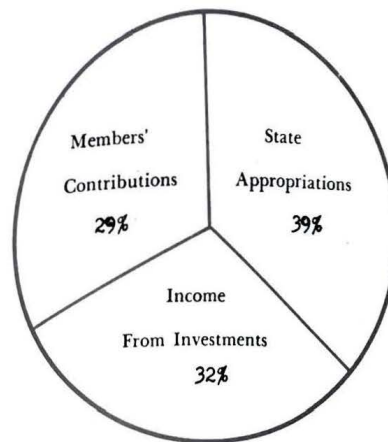
Total Mutual Funds

\$ 1,073,329.72

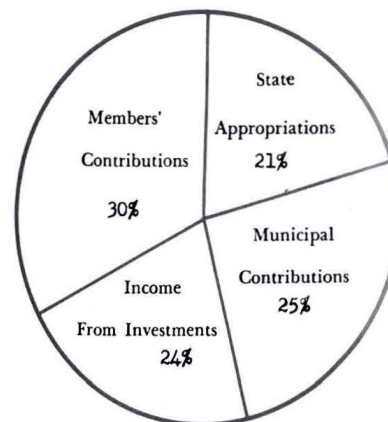
SOURCES OF REVENUE AND HOW EXPENDED

Highlights

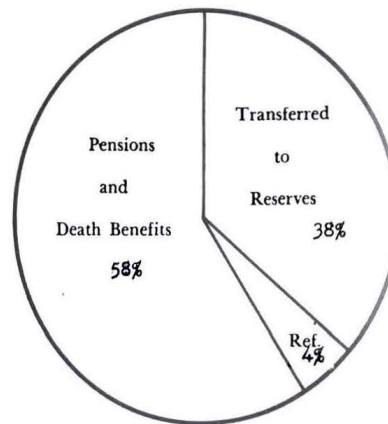
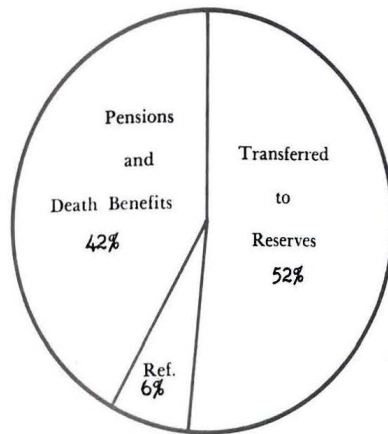
State Employees



Public School Teachers



I
N
C
O
M
E



O
U
T
G
O

REF. - DENOTES REFUNDS

CHART B
INVESTMENT YIELD

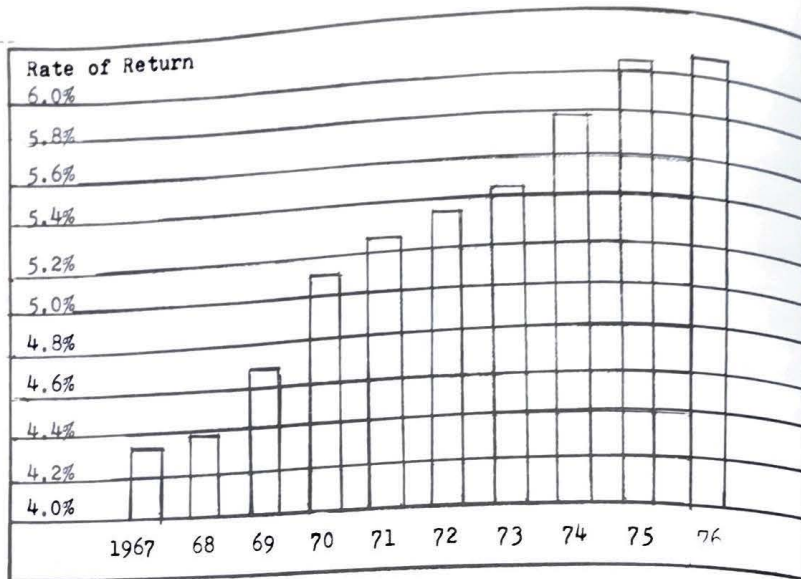


CHART C
COST OF LIVING ADJUSTMENT

Year	STATE EMPLOYEES AND LEGISLATORS				TEACHERS AND TEACHER SURVIVORS			
	Pension Benefits	Cost of Living Adjustment	% Incr.	% to Ben.	Pension Benefits	Cost of Living Adjustment	% Incr.	% to Ben.
1969-70	3,211,776	223,510		6.96				
1970-71	3,774,305	272,657	22.0	7.22	7,876,576	621,970		7.90
1971-72	4,888,704	334,646	22.7	6.85	9,759,785	757,018	21.7	7.76
1972-73	5,782,110	411,796	23.1	7.12	11,413,852	923,868	22.0	8.09
1973-74	6,685,643	502,378	22.0	7.51	12,778,668	1,119,746	21.2	8.26
1974-75	8,118,371	612,196	21.9	7.90	14,076,602	1,367,603	22.1	9.88
1975-76	9,635,536	749,791	22.3	8.10	15,916,453	1,645,810	22.5	10.00

CHART D

UNFUNDED ACCRUED LIABILITY

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
1976	154,796,106.	413,205,818.	46.6	21.5

CHART E
MEMBERSHIP STATISTICS

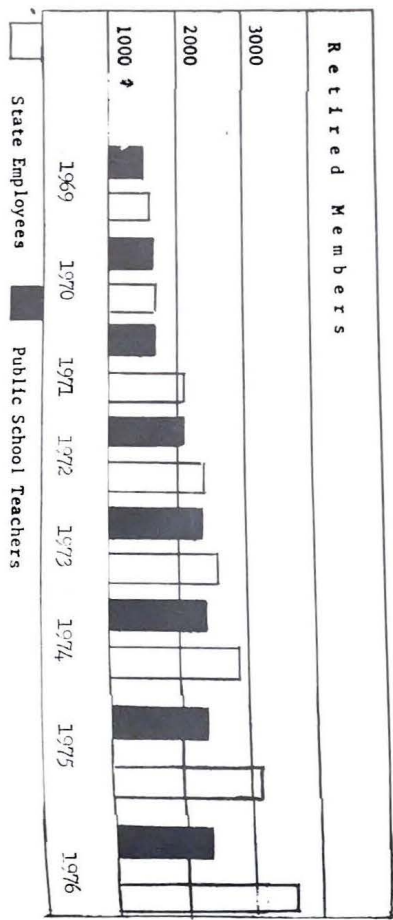
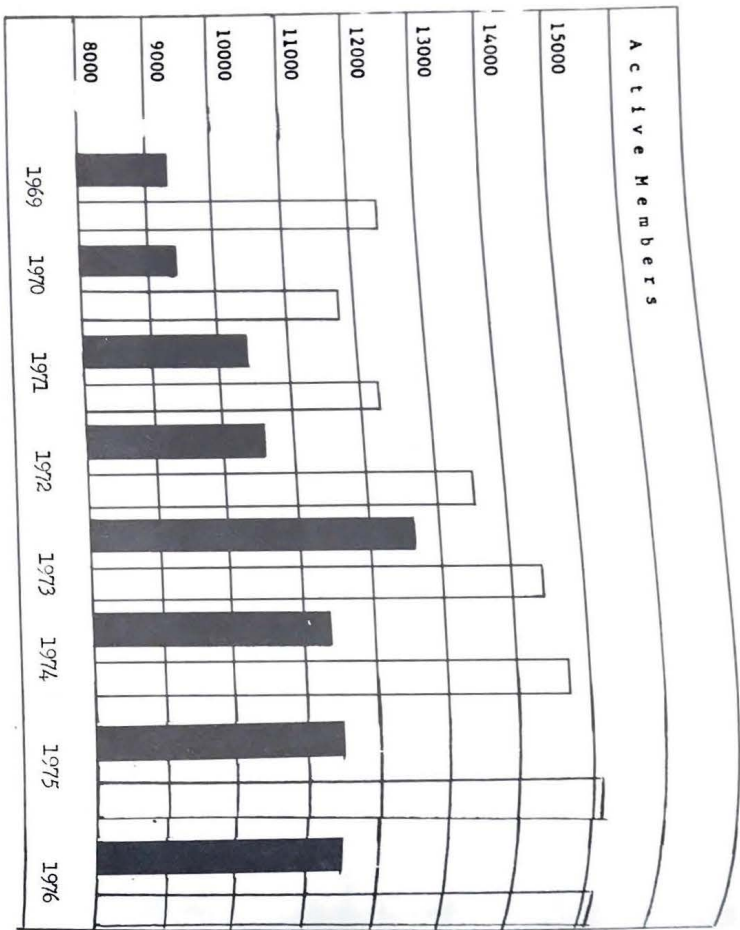


CHART G

SERVICE PENSIONS GRANTED

From July 1, 1975 - - - To June 30, 1976

Pension Range	State Employees				Public School Teachers			
	No. of Pensions	Percent	Yearly Cost	Average Pension	No. of Pensions	Percent	Yearly Cost	Average Pension
Under \$ 2,000.	158	33.8	222,543.	1,408.50	1	0.6	592.	592.20
2/4,000.	153	32.8	435,369.	2,845.55	18	10.9	58,794.	3,266.30
4,000.	39	8.4	178,314.	4,572.16	13	7.8	58,343.	4,487.93
5,000.	24	5.1	130,576.	5,440.68	7	4.2	38,222.	5,460.33
6,000.	22	4.7	142,458.	6,475.35	4	2.4	25,260.	6,314.94
7,000.	10	2.1	74,194.	7,419.41	17	10.2	128,584.	7,563.74
8,000.	12	2.6	101,845.	8,487.07	18	10.9	154,318.	8,573.24
9,000.	10	2.1	94,305.	9,430.50	16	9.6	150,740.	9,421.25
10/12,000.	11	2.4	118,848.	10,804.34	51	30.7	561,413.	11,008.10
Over 12,000.	28	6.0	421,592.	15,056.84	21	12.7	286,872.	13,660.59
Totals	467	100.0	1,920,044.	4,111.44	166	100.0	1,463,138.	8,814.08

CHART H

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.	72.3	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.	206,425,356.	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
1976	13,679,596.	52	11,404,410.	39	8,361,655.	7,102,344.	154,796,106.	413,235,18.	46.6	21.5

Age Group	Number	Annual Salaries
Less than 25	723	\$ 5,887,363
25 to 29 incl.	537	5,788,015
30 to 34 incl.	601	6,603,177
35 to 39 incl.	769	8,611,202
40 to 44 incl.	880	9,889,591
45 to 49 incl.	903	10,182,486
50 to 54 incl.	1,017	11,368,191
55 to 59 incl.	1,031	11,872,777
60 to 64 incl.	878	10,980,190
65 and over	632	7,533,172
Totals	7,972	\$ 88,716,164

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

M A L E

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

F E M A L E

<u>Age Group</u>	<u>Number</u>	<u>Annual Salaries</u>
Less than 25	1,392	\$ 9,639,182
25 to 29 incl.	370	4,031,473
30 to 34 incl.	342	3,172,175
35 to 39 incl.	477	4,188,367
40 to 44 incl.	735	6,080,770
45 to 49 incl.	966	7,861,525
50 to 54 incl.	1,072	9,193,113
55 to 59 incl.	987	8,152,016
60 to 64 incl.	631	6,146,167
65 and over	<u>366</u>	<u>4,097,822</u>
Totals	<u>7,338</u>	<u>\$62,562,610</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	2,731	\$24,633,471
5 to 9 yrs. incl.	2,034	21,797,112
10 to 14 yrs. incl.	1,297	15,528,325
15 to 19 yrs. incl.	908	11,633,787
20 to 24 yrs. incl.	462	6,338,411
25 to 29 yrs. incl.	328	4,572,382
30 yrs. and over	<u>212</u>	<u>4,212,676</u>
Totals	<u>7,972</u>	<u>\$88,716,164</u>

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

<u>F E M A L E</u>		
<u>Length of Service</u>	<u>Number</u>	<u>Annual Salaries</u>
Less than 5 years	2,909	\$20,993,091
5 to 9 yrs. incl.	2,085	15,262,787
10 to 14 yrs. incl.	1,004	9,101,711
15 to 19 yrs. incl.	577	6,773,888
20 to 24 yrs. incl.	352	4,666,879
25 to 29 yrs. incl.	240	3,688,071
30 yrs. and over	<u>171</u>	<u>2,076,183</u>
Totals	<u>7,338</u>	<u>\$62,562,610</u>

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

<u>M A L E</u>		
<u>Age Group</u>	<u>Number</u>	<u>Annual Salaries</u>
Under age 25	550	\$ 5,527,362
25 to 29 incl.	867	9,688,111
30 to 34 incl.	690	7,657,963
35 to 39 incl.	615	8,450,472
40 to 44 incl.	455	5,951,225
45 to 49 incl.	350	4,827,262
50 to 54 incl.	248	3,328,451
55 to 59 incl.	251	3,559,557
60 to 64 incl.	138	2,537,140
65 and over	<u>88</u>	<u>1,649,321</u>
Totals	<u>4,252</u>	<u>\$53,176,864</u>

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

<u>F E M A L E</u>		
<u>Age Group</u>	<u>Number</u>	<u>Annual Salaries</u>
Under age 25	1,576	\$17,692,751
25 to 29 incl.	992	12,824,122
30 to 34 incl.	528	5,964,207
35 to 39 incl.	499	5,663,188
40 to 44 incl.	527	6,967,433
45 to 49 incl.	505	6,439,592
50 to 54 incl.	587	7,750,875
55 to 59 incl.	692	9,476,966
60 to 64 incl.	640	8,747,902
65 and over	<u>378</u>	<u>5,152,243</u>
Totals	<u>6,924</u>	<u>\$86,679,279</u>

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

<u>M A L E</u>		
<u>Length of Service</u>	<u>Number</u>	<u>Annual Salaries</u>
Less than 5 years	1,487	\$16,636,363
5 to 9 yrs. incl.	1,070	11,832,610
10 to 14 yrs. incl.	748	10,121,145
15 to 19 yrs. incl.	730	10,813,261
20 to 24 yrs. incl.	55	783,290
25 to 29 yrs. incl.	48	751,663
30 to 34 yrs. incl.	61	1,093,186
35 yrs. and over	<u>53</u>	<u>1,145,346</u>
Totals	<u>4,252</u>	<u>\$53,176,864</u>

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

<u>F E M A L E</u>		
<u>Length of Service</u>	<u>Number</u>	<u>Annual Salaries</u>
Less than 5 years	2,779	\$31,349,568
5 to 9 yrs. incl.	1,188	12,169,348
10 to 14 yrs. incl.	1,051	12,658,484
15 to 19 yrs. incl.	1,449	22,329,555
20 to 24 yrs. incl.	66	951,158
25 to 29 yrs. incl.	80	1,329,293
30 to 34 yrs. incl.	81	1,615,027
35 yrs. and over	<u>230</u>	<u>4,276,846</u>
Totals	<u>6,924</u>	<u>\$86,679,279</u>

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

<u>M A L E</u>		
<u>Age</u>	<u>Number</u>	<u>Annual Payments</u>
55 to 59 incl.	50	\$ 187,364
60 to 64 incl.	271	771,571
65 to 69 incl.	453	1,392,283
70 to 74 incl.	527	1,578,191
75 to 79 incl.	382	1,244,723
80 to 84 incl.	157	525,682
85 and over	<u>52</u>	<u>243,937</u>
Totals	<u>1,892</u>	<u>\$5,943,751</u>

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.	38	\$ 136,875
60 to 64 incl.	241	717,361
65 to 69 incl.	440	1,297,340
70 to 74 incl.	442	1,298,562
75 to 79 incl.	280	788,934
80 to 84 incl.	98	328,682
85 and over	<u>59</u>	<u>225,983</u>
Totals	<u>1,598</u>	<u>\$ 4,793,737</u>

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.	16	\$ 114,763
60 to 64 incl.	69	470,680
65 to 69 incl.	98	641,817
70 to 74 incl.	121	856,206
75 to 79 incl.	90	733,861
80 to 84 incl.	46	384,585
85 and over	<u>19</u>	<u>188,723</u>
Totals	<u>459</u>	<u>\$3,390,635</u>

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

F E M A L E

<u>Age</u>	<u>Number</u>	<u>Annual Payments</u>
55 to 59 incl.	58	\$ 377,129
60 to 64 incl.	312	1,990,735
65 to 69 incl.	559	3,608,422
70 to 74 incl.	567	3,648,531
75 to 79 incl.	360	2,388,952
80 to 84 incl.	133	955,425
85 and over	<u>89</u>	<u>657,739</u>
Totals	<u>2,078</u>	<u>\$13,626,933</u>

Benefit Summary

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS

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 with annuity payable at any time; after 30 years' service with unreduced annuity payable at age 55.
3. Compulsory 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. Reemployment of service retirees Reemployment may occur for not more than 75 days a year without loss of retirement pension payments.
15. 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 of Cities and Towns who did not elect federal social security coverage for teachers prior to July 1, 1963 Eligibility: (a) a widow or widower of teacher married at least 1 year before death, or widow who is mother 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 for at least 1 year before member's death, or an adopted child; and

(d) former divorced wife, mother of accepted 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. 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.

22. 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.

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

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