

State of Rhode Island and Providence Plantations



ANNUAL REPORT
OF THE
RETIREMENT BOARD

June 30, 1984

HON. ANTHONY J. SOLOMON
General Treasurer

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND

Annual Report

Report
of the
Board

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M. Frances Campbell Retiree Member Representative	Investments	25
Louis Casarullo, C.I.U. Public Representative		
John F. Callagan State Employee Representative		
Senator Donald Hickey, Designer of Senate Finance Chairman		
Kenneth Payne, Designer of President - R.I. League of Cities and Towns		
Marcus S. Robock Teacher Representative		
Dr. William F. Robinson, Designer of Director of Administration		
Edna N. Snow Teacher Representative		
Representative Robert S. Tucker, Designer of House Finance Chairman		
Ronald L. Wrigley, Designer of State Budget Director		

Joseph G. Lannell, Executive Director



ANTHONY J. SOLOMON
GENERAL TREASURER



State of Rhode Island and Providence Plantations
TREASURY DEPARTMENT
OFFICE OF THE GENERAL TREASURER
PROVIDENCE

November 30, 1984

The Honorable J. Joseph Garrahy
Governor, State of Rhode Island
and Providence Plantations
State House
Providence, Rhode Island 02903

Dear Governor Garrahy:

I take pleasure in submitting herewith for trans-
mittal to the General Assembly, the Forty-Eighth Annual
Report of the Retirement Board of the Employees' Retirement
System of the State of Rhode Island covering the fiscal year
ended June 30, 1984.

Respectfully submitted,

ANTHONY J. SOLOMON
General Treasurer

REPORT OF THE RETIREMENT BOARD

The Forty-Eighth Annual Report of the Retirement Board covering the fiscal year ended June 30, 1984.

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 16.7 percent or \$106,589,581 higher than the previous year, for a total of \$743,876,573.

Revenues from all sources for the year amounted to \$84,755,817 for State Employees and \$89,449,559 for Public School Teachers. Expenditures for the year amounted to \$34,331,516 and \$33,284,279 for State Employees and Teachers, respectively.

Chart (A) depicts the sources of Revenue and Expenditures.

Income from investments for the year amounted to \$67,831,476, including a capital gain of \$6,541,783. This represents 38.94 percent of the total revenues. This income is equal to a return of 9.03 percent and is compared to the return of previous years in Chart (B).

Pension benefits, which represent the major expenditure item, amounted to \$27,727,607 for State Employees and Legislators, and \$25,605,882 for Teachers and Teachers' Survivors. Added to this was the Cost-of-Living Adjustment, which amounted to \$3,403,179 for State Employees, and \$5,907,761 for Teachers. A comparative chart of the Cost-of-Living Adjustment graphically depicts the facts in this regard and the trend thereof in Chart (C), which covers the last ten (10) years.

UNFUNDED ACCRUED LIABILITY

This item 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, 1984 was 45.30% for State Employees and 31.22% for Teachers. The unfunded (accrued) liability for the State Employees was \$455,738,400 and \$739,871,600 for Teachers.

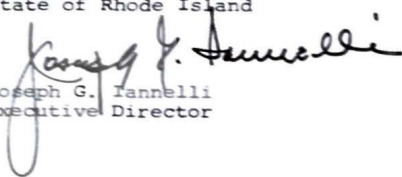
CONCLUDING COMMENT

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.

Service to participating members is always paramount in the operation and conduct of our staff. To this end, we have held numerous pre-retirement educational courses in the past year. Evaluations made by the attendees indicate that valuable insights regarding retirement were made. We shall continue to conduct pre-retirement seminars to make our members aware of the benefits available for retirement purposes.

A sincere thanks is extended to the officials of our State government and 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


Joseph G. Iannelli
Executive Director

Financial Statements

COMPARATIVE FINANCIAL BALANCE SHEET

	JUNE 30, 1984	JUNE 30, 1983
<u>ASSETS</u>		
Cash	\$ -400,434	\$ -2,844,161
Accrued Interest Receivable	11,199,556	9,565,690
Investments (At amortized book value for bonds and cost of stock)	<u>733,077,451</u>	<u>630,565,463</u>
	<u>\$ 743,876,573</u>	<u>\$637,286,992</u>
 <u>LIABILITIES & RESERVES</u>		
<u>Current Liabilities</u>		
Unclaimed Benefits	<u>160,610</u>	<u>105,980</u>
Members' Contribution Reserves		
State Employees	97,967,720	92,361,077
Teachers	141,209,145	127,472,311
Teachers' Survivors	<u>7,101,740</u>	<u>6,686,410</u>
Total Member Reserves	<u>\$246,278,605</u>	<u>\$226,519,798</u>
 <u>General Reserves</u>		
State Employees	279,395,036	234,611,995
Teachers	194,590,615	155,150,071
Teachers' Survivors	23,450,457	20,894,248
Certain State Employees	1,250	2,500
Certain Teachers		<u>2,400</u>
Total General Reserves	<u>\$497,437,358</u>	<u>\$410,661,214</u>
TOTAL LIABILITIES AND RESERVES	<u>\$743,876,573</u>	<u>\$637,286,992</u>

STATEMENT OF REVENUES AND EXPENDITURES
YEAR ENDED - JUNE 30, 1984

<u>REVENUES</u>	
<u>Member Contributions</u>	
State Employees	\$ 16,457,946
Legislators	9,084
Teachers	17,518,176
Teachers' Survivors	513,903
Ins. Premiums - Legislators	<u>1,154</u>
	34,500,263
<u>State Contributions</u>	
State Employees	33,154,457
Teachers	17,982,466
Certain State Employees & Teachers	2,500
Supplemental Pay - State	<u>149,437</u>
	51,488,860
<u>Municipal Contributions</u>	
Teachers	19,532,247
Teachers' Survivors	519,209
Supplemental Pay - Teachers	<u>25,035</u>
	20,076,491
<u>Investment Income</u>	
Interest	48,994,050
Dividends	12,295,643
Capital Gain or (Loss)	6,541,783
Net Option Sales	<u>--</u>
	67,831,476
<u>Miscellaneous</u>	
Miscellaneous Receipts	3,620
Employees' Tran.-Municipal	21,060
Unclaimed Benefits	66,768
Interest-Service Purchase	<u>216,838</u>
Total Revenues --	<u>174,205,376</u>
 <u>EXPENDITURES</u>	
<u>Pension Benefits</u>	
State Employees	30,023,238
Legislators	754,362
Teachers	30,668,361
Teachers' Survivors	818,024
Certain State Employees & Teachers	6,150
Supplemental Pay - Teachers	24,857
Supplemental Pay - State	<u>149,437</u>
	62,644,429
<u>Death Benefits</u>	
State Employees	799,616
Legislators	29,600
Teachers	334,269
	1,163,485
<u>Refund of Contributions</u>	
State Employees	2,362,825
Teachers	1,200,138
Teachers' Survivors	79,500
Interest on Refunds - Survivors	15,429
Municipalities	<u>133,174</u>
	3,791,066
<u>Investment Expense</u>	
Postage & Insurance	<u>-0-</u>
<u>Miscellaneous</u>	
Miscellaneous Refunds	4,677
Unclaimed Benefits	12,138
Total Expenditures	<u>16,815</u>
Excess Revenues over Expenditures	<u>\$ 67,615,795</u>
	<u>\$106,389,581</u>

ANALYSIS OF REVENUES & EXPENDITURES
FISCAL YEAR ENDED - JUNE 30, 1964

REVENUES	AMOUNT	%	AMOUNT	%	TOTAL
Member Contributions	\$16,458,184	19.43	18,032,079	20.16	34,510,263
State Contributions	33,556,394	39.53	17,982,466	20.10	51,492,860
Municipal Contributions			20,076,491	22.45	20,076,491
Investment Earnings	34,600,836	40.83	33,230,640	37.15	67,831,476
Miscellaneous	180,403	0.21	127,883	0.14	308,286
TOTAL REVENUES	\$84,755,817	100.00	89,449,559	100.00	174,205,376

EXPENDITURES	AMOUNT	%	AMOUNT	%	TOTAL
Pensions	27,727,607	32.71	25,605,882	28.63	53,333,489
Cost-of-Living Adjust.	3,403,179	04.02	5,907,761	06.60	9,310,940
Death Benefits	829,216	00.98	334,269	00.37	1,163,485
Refunds-Contributions	2,362,825	02.79	1,422,241	01.60	3,791,066
Miscellaneous	2,528	00.01	2,127	00.01	16,815
TOTAL EXPENDITURES	\$34,331,515	40.51	33,284,280	37.21	67,615,795

EXCESS REVENUES OVER EXPENDITURES -- TO RESERVE	\$50,424,302	59.49	56,165,279	62.79	106,589,581
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DISTRIBUTION OF EXCESS REVENUE

Unclaimed Benefits	\$	54,630
Members' Reserves		
State Teachers	14,131,371	
Survivors	16,318,972	
General Reserves	434,402	
State Teachers	36,262,843	
Survivors	36,853,877	
Certain Employees	2,537,136	
	(3,650)	
TOTAL--	\$106,589,581	

ANALYSIS OF INVESTMENT INCOME
FISCAL YEAR ENDED JUNE 30, 1964

INVESTMENT INCOME - INTEREST	\$47,925,878
Accrued Interest June 30, 1964	\$11,199,556
Accrued Interest July 1, 1963	9,565,630
	1,633,866
	556,237
Discounts Amortized	2,490,162
Total Additions	\$50,416,041
TOTAL --	

LESS:	
Accrued Interest Purchased	1,246,305
Premiums Amortized	175,686
Total Deductions	\$ 1,421,991

Net Interest Earned	48,994,050
Dividends	12,295,643
TOTAL EARNED ON INVESTMENTS	\$61,289,693

CAPITAL GAIN	6,541,783
NET INVESTMENT INCOME	\$67,831,476

DISTRIBUTION OF INVESTMENT INCOME
FISCAL YEAR ENDED -- JUNE 30, 1984

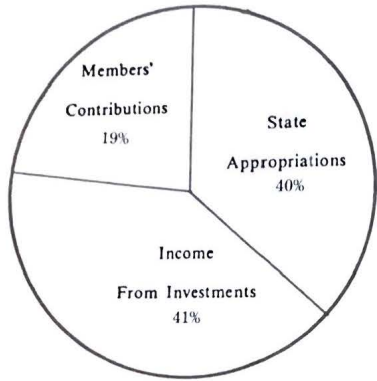
	<u>EMPLOYEES</u>	<u>TEACHERS</u>	<u>TEACHERS'</u> <u>SURVIVORS</u>	<u>TOTAL</u>
<u>MEMBER RESERVES</u>				
Balance July 1, 1983	\$92,361,077	127,472,311	6,686,410	226,519,798
Balance June 30, 1984	97,967,719	141,209,145	7,101,740	246,278,604
<u>GENERAL RESERVES</u>				
Balance July 1, 1983	234,614,495	155,152,471	20,894,247	410,661,213
Balance June 30, 1984	244,795,450	164,215,680	20,594,752	429,605,882
T O T A L --	669,738,741	588,049,607	55,277,149	1,313,065,497
AVERAGE	334,869,371	294,024,803	27,638,574	656,532,748
PERCENT	51.01	44.78	04.21	100.00
DISTRIBUTION	34,600,836	30,374,935	2,855,705	67,831,476

Highlights

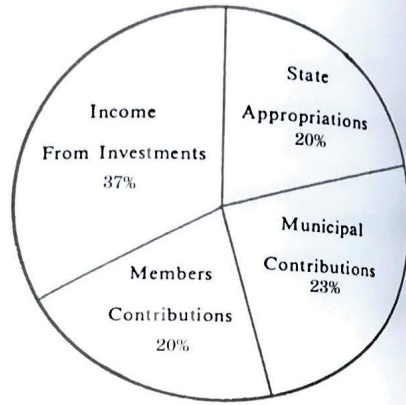
CHART A

SOURCES OF REVENUE AND HOW EXPENDED

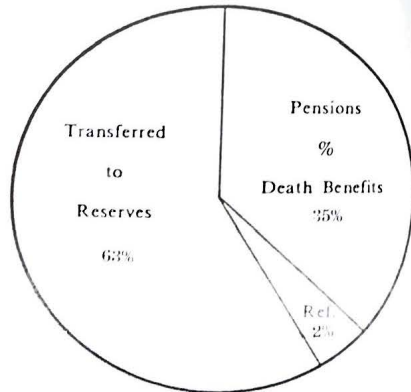
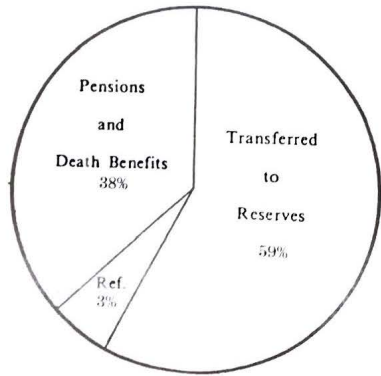
State Employees



Public School Teachers



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Ref. Denotes Refunds

CHART 'B'
INVESTMENT RATE OF RETURN

Year	Investment Rate of Return (%)
1984	9.3
1983	9.4
1982	10.2
1981	9.3
1980	8.5
1979	7.4
1978	6.7
1977	6.6
1976	6.5
1975	6.3
1974	5.8
1973	5.4
1972	5.3
1971	5.3
1970	5.0

CHART 'C'

YEAR	<u>STATE EMPLOYEES</u>		<u>TEACHERS</u>	
	PENSION BENEFITS	COST OF LIVING ADJUSTMENT	PENSION BENEFITS	COST OF LIVING ADJUSTMENT
72-73	\$5,782,110	411,796	11,413,852	923,868
73-74	6,685,643	502,378	12,778,668	1,119,746
74-75	8,118,371	612,196	14,076,602	1,367,603
75-76	9,635,536	748,731	15,216,413	1,647,312
76-77	11,045,772	906,030	16,279,438	1,948,642
77-78	12,638,920	1,097,430	17,382,026	2,269,569
78-79	14,007,233	1,317,011	18,986,600	2,698,815
79-80	15,743,067	1,563,271	20,653,181	3,128,123
80-81	16,738,846	2,049,888	20,962,025	4,036,193
81-82	18,718,665	2,575,727	22,409,596	5,005,960
82-83	21,105,380	2,941,778	23,767,139	5,457,932
83-84	26,662,536	3,360,702	24,760,600	5,907,761

CHART 'D'
COMPARATIVE PERTINENT FINANCIAL
FACTS FOR

Fiscal Year Ended June 30	STATE EMPLOYEES AND TEACHER MEMBERS				EXCESS REVENUES OVER EXPENDITURES		INVESTMENT EARNINGS	
	State Emp.	%	Teachers	%	State Emp.	Teachers		
1971	7,984,606	58	7,089,543	40	4,062,592	3,359,023		
1972	8,782,514	56	7,479,578	39	4,463,637	3,708,529		
1973	8,825,489	51	8,539,937	38	5,140,631	4,309,059		
1974	10,237,173	52	9,264,517	37	6,159,198	5,215,129		
1975	12,210,282	53	10,587,575	38	7,065,233	6,006,428		
1976	13,679,596	52	11,404,410	39	8,361,655	7,102,844		
1977	15,604,153	52	16,654,090	46	9,370,122	8,056,179		
1978	18,913,113	54	20,608,794	49	10,596,621	9,364,238		
1979	16,192,484	46	16,004,751	41	13,001,764	11,694,352		
1980	26,252,892	57	23,016,169	47	16,866,504	15,206,410		
1981	31,480,978	59	31,151,555	53	20,782,136	18,833,067		
1982	40,162,709	61	39,532,861	57	25,290,552	23,195,936		
1983	44,380,976	62	49,687,094	61	28,172,059	26,372,102		
1984	50,424,302	60	56,165,279	63	34,600,836	33,230,640		

*Report
of the
Actuary*

MARTIN E. SAGAL COMPANY

100 MILL ST. - 11TH FL.
NEW YORK, N.Y. 10038
(212) 691-1100

February 3, 1986

EMPLOYEES' RETIREMENT SYSTEM
OF THE STATE OF RHODE ISLAND

Actuarial Valuation as of
June 30, 1986

State of Rhode Island
Retirement Board of Employees'
Retirement System
State of Rhode Island
198 State Street
Providence, RI 02903

Dear Members of the Board:

We are pleased to submit herewith our Actuarial Valuation of the Employees' Retirement System of the State of Rhode Island as of June 30, 1986.

Our report analyzes the actuarial status of the System, and projects the cost requirements for the Board to carry to the Legislature.

We received a great deal of help from State employees in obtaining the information which forms the basis of this report. Most important, Mr. Joseph G. Iannelli, Executive Director; Mr. John P. Sullivan, Assistant Director; and Mr. Carlo Mancuso, Principal Accountant, were available whenever needed to answer any questions and provide any information requested. Indeed, the material they provided on their own initiative anticipated many of our needs.

For convenience, this report is divided into the following sections:

- I. SUMMARY
 - II. EMPLOYEE DATA
 - III. RETIREE DATA
 - IV. RETIREMENT FUND
 - V. ACTUARIAL ASSUMPTIONS AND COST METHOD
 - VI. RESULTS OF VALUATION
- APPENDIX

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Appended to this report is our actuarial certificate detailing the cost factors, assumptions, and plan of benefits used for the valuation.

We will be pleased to meet with you to discuss this report at your convenience.

Sincerely,

MARTIN E. SEGAL COMPANY, INCORPORATED

By



Sherman G. Sass

Senior Vice President

By



Joseph C. Demty, A.S.A., M.A.A.A.
Vice President and Actuary

/tlj

I. SUMMARY

Benefit Provisions

The Employees' Retirement System of the State of Rhode Island covers most State employees. Legislators and elected officials may become members on an optional basis. State college teachers may elect coverage under the T.I.A.A. program. State employees contribute 6* per cent of their annual earnings and Teachers contribute 7* per cent.

The System provides unreduced benefits of 1.7 per cent of earnings for the first ten years of service; 1.9 per cent for the next ten years; and 2.4 per cent per year of service over 20 years up to a maximum of 80 per cent of earnings for all years of service. Such benefits are available to members at least age 60 with 10 years of service, or after 30 years at any age. Prior to May 11, 1984, the provision was available to members at least age 55 with 30 years of service or after 35 years at any age. On that date the age 55 requirement was eliminated. State correctional officers may retire at age 50 if they have 20 years of service, at 2 per cent for each year of service. Benefits are based on the average of the highest three consecutive years' earnings. After the third anniversary of retirement, "cost-of-living increases" amounting to 3 per cent per year of the original award are provided, independent of actual changes in the Consumer Price Index. Beginning January 1, 1981, the cost-of-living increases are computed at the rate of 3 per cent compounded annually.

The Plan also provides non-service-connected disability and vested benefits after five and ten years of service, respectively; service-connected disability pensions with no minimum service requirement; widow's benefits for service-connected death; and certain lump sum death benefits.

More detail can be found in the actuarial certificate following this report.

*These rates are scheduled to increase by 0.5 per cent on July 1, 1985.

Employee Data

We received data on 15,361 active State Employees and 19,002 Teachers as of June 30, 1984 who were participating in the System. On the average, the State Employees were age 43 1/2 and had 5 1/2 years of service; Teachers were age 42 1/2 with 15 years of service.

Retiree Data

We received data on 5,522 State Employee pensioners and 972 beneficiaries as of June 30, 1984. The pensioners' average monthly benefit was \$666. There were 2,995 retired Teachers and 113 beneficiaries; the average monthly benefit was \$458 for the pensioners. The benefit amounts include an adjustment for the cost-of-living provision. Of all the pensioners on the rolls, 19 per cent had retired in the year ended June 30, 1984.

Retirement Fund

As of June 30, 1984, the assets of the Retirement Fund, including Teachers Service Reserve, amount to almost \$766 million. These assets are available as an offset to the actuarial liabilities for future benefits.

Actuarial Valuation

Our valuation was prepared as of June 30, 1984. Our calculations were based on reasonable assumptions as to expected future experience and are the same as those used in our previous actuarial valuation except for the assumed age at retirement. We used the "entry age normal cost" method, which spreads the cost of each employee's projected pension as a level percentage of his earnings from date of hire to assumed retirement.

15. EMPLOYEE DATA

We received data on 15,361 State Employees and 19,002 Teachers participating in the System as June 30, 1984. The data included age, service, sex, and salary for each participant. The average salary of the participants was \$17,606 for State Employees (base rate below), and \$26,200 for Teachers. The data included 205 conventional officers and 143 legislators.

Tables 1A and 1B show detailed age, service and average salary data on State Employees and Teachers, respectively. In preparing these tables, we assumed an annual salary of \$15,000 for the State Employees for whom earnings were missing, and a \$15,000 annual salary was imputed for Teachers with unknown compensation.

Tables 2A and 2B summarize certain basic statistics on active State Employees and Teachers and compare them to those of the previous year. During the year, average salary for State Employees increased by 5.1 per cent while Teachers' average salary increased by 5.5 per cent (see Note below). Aggregate payroll increased by 7.4 per cent for State Employees and by 6.6 per cent for Teachers.

Overall, the data was in good condition. We recommend that the Board continue its practice of storing all basic participant information on computer files.

Note: The salaries reported for State Employees were as of June 30, 1984 and for Teachers as of July 1, 1984. This is consistent with the salaries used in the last valuation.

The employer normal cost* for State Employees is \$12.5 million. This represents 4.7 per cent of the reported payroll of participating State Employees as of June 30, 1984. The employer normal cost for Teachers is \$10.9 million or 4.1 per cent of reported participating payroll.

For State Employees, the actuarial accrued liability* (representing the cost of the benefits allocated to years before July 1, 1984) is \$833 million, of which \$362 million represents the liability to those already receiving pensions. The unfunded actuarial accrued liability at the end of the year is \$456 million. For Teachers, the actuarial accrued liability is \$1.076 billion, of which \$320 million is for those receiving pensions. The unfunded actuarial accrued liability stands at \$740 million.

The value of the System's vested benefits is \$1.47 billion. Thus, the assets are short of this amount by \$757 million (excluding assets of the Teachers Survivors program).

For the fiscal year 1985-86, the State's statutory funding schedule, as amended effective July 1, 1979, calls for a contribution of 100 per cent of the State's normal cost and 100 per cent of the interest on the unfunded actuarial accrued liability. This amounts to 14.5 per cent of the projected 1985-86 payroll of \$298 million for State Employees and 19.8 per cent of projected payroll of \$298.5 million for Teachers. (Half of the cost for Teachers is paid for by the municipalities.) In accordance with the statute as amended, the percentages of normal cost and interest on the unfunded liability required to be contributed have gradually increased to the 100 per cent level for fiscal 1985-86. In subsequent years the full normal cost and amortization of unfunded liabilities will be required.

*Please refer to the "Actuarial Assumptions and Methods" section of the report for definitions of these terms.

Table 1A
Number and Average Salaries of Employees in Active Service
as of June 30, 1984
by Age and by Years of Service

Age	Total	Years of Service										35 and over	Unknown
		0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 and over	Unknown			
Total	15,361 \$17,400	4,552 \$15,000	4,456 \$17,100	3,365 \$17,700	1,582 \$19,800	732 \$22,000	374 \$23,700	165 \$23,600	74 \$28,600	61 \$11,500			
Under 20	54 \$12,300	54 \$12,300	--	--	--	--	--	--	--	--	--	--	--
20 - 24	742 \$13,600	662 \$13,600	80 \$13,800	--	--	--	--	--	--	--	--	--	--
25 - 29	1,834 \$15,200	984 \$15,200	766 \$15,000	84	--	--	--	--	--	--	--	--	--
30 - 34	2,132 \$17,000	683 \$17,800	882 \$17,800	509 \$17,400	58 \$17,500	--	--	--	--	--	--	--	--
35 - 39	2,097 \$18,800	568 \$16,200	671 \$18,800	621 \$21,000	221 \$19,900	15 \$17,600	--	--	--	--	--	--	1 \$13,000
40 - 44	1,551 \$18,400	455 \$15,600	402 \$18,000	365 \$19,300	232 \$22,500	89 \$21,000	--	--	--	7 \$20,100	--	--	1 \$15,800
45 - 49	1,521 \$18,300	383 \$15,200	394 \$17,600	339 \$17,500	183 \$21,200	150 \$24,500	14 \$20,900	--	--	--	--	--	--
50 - 54	1,739 \$18,000	309 \$15,000	437 \$16,900	436 \$17,000	234 \$19,900	144 \$21,600	52 \$20,800	6 \$25,000	3 \$26,400	--	--	--	--
55 - 59	1,978 \$17,900	287 \$14,800	441 \$16,000	524 \$16,000	345 \$18,800	196 \$22,000	105 \$24,000	27 \$27,200	27 \$28,500	--	--	--	--
60 - 64	1,318 \$17,500	127 \$15,600	318 \$16,100	387 \$15,600	237 \$18,100	112 \$19,800	74 \$26,700	26 \$27,100	26 \$32,100	--	--	--	--
65 and over	299 \$19,700	5 \$8,900	61 \$17,800	98 \$15,800	72 \$19,900	25 \$26,500	12 \$27,000	11 \$24,000	15 \$35,400	--	--	--	--
Unknown	96 \$6,100	35 \$300	4 \$300	2 \$9,400	--	1 \$22,600	--	--	--	--	--	--	54 \$9,800

Table 1B
 Number and Average Salaries of Employees in Active Service
 as of June 30, 1984
 by Age and by Years of Service

TEACHERS

Age	Total	Years of Service								
		0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30- 34	35 and over	Unknown
Total	10,003 \$26,800	708 \$20,000	1,545 \$24,900	3,514 \$27,500	2,041 \$28,000	950 \$28,900	565 \$29,400	263 \$31,200	109 \$30,500	308 \$20,400
Under 20	4 \$27,800	--	--	--	--	--	--	--	--	4 \$27,800
20 - 24	41 15,900	26 \$14,500	1 \$27,300	--	--	--	--	--	--	14 17,600
25 - 29	440 19,300	210 17,600	182 21,600	4 \$26,000	--	--	--	--	--	44 17,100
30 - 34	1,729 25,100	175 20,400	680 24,500	815 27,000	1 \$27,100	--	--	--	--	58 19,900
35 - 39	2,678 27,100	122 21,300	292 26,100	1,648 27,600	563 27,800	2 \$28,600	--	--	--	51 23,300
40 - 44	1,690 27,500	82 21,900	173 25,700	434 27,700	745 28,200	228 29,000	1 \$27,000	--	--	27 20,500
45 - 49	1,114 28,200	42 22,600	101 26,700	229 28,000	261 28,400	327 29,500	130 29,400	3 \$29,300	--	21 22,000
50 - 54	960 28,700	18 25,100	54 27,900	190 27,700	195 27,600	174 28,700	237 30,100	78 30,900	9 \$29,500	5 29,200
55 - 59	815 28,700	13 22,500	38 27,200	126 27,600	184 27,800	127 28,000	132 28,900	134 31,800	54 30,600	7 22,200
60 - 64	339 28,300	4 29,800	7 27,700	48 26,900	74 27,300	76 27,800	47 28,500	39 30,600	39 30,800	5 23,800
65 and over	73 28,400	1 20,700	2 27,400	8 29,300	16 28,000	15 27,800	17 28,700	8 28,900	6 29,500	--
Unknown	120 21,100	15 18,900	15 24,500	12 26,500	2 27,300	1 26,700	1 25,300	1 27,400	1 21,800	72 19,500

RHODE ISLAND ERS

MARTIN F. SEGAL COMPANY

Table 2A
 Statistical Data on Active State Employees
 on June 30, 1984 and 1983

	June 30, 1984	June 30, 1983
Number of covered employees	15,361	15,748
Total annual salary	\$267,014,800	\$258,062,900
Average annual salary	\$17,400	\$16,400
Average age	43 1/2	44
Average years of service	9 1/2	9 1/2
Number eligible for service retirement	1,256	1,497
Number vested but not eligible to retire	5,036	4,684

See note in text on salary data.

RHODE ISLAND ERS

MARTIN F. SEGAL COMPANY

Table 2B
 Statistical Data on Active Teachers
 on June 30, 1984 and 1983

	June 30, 1984	June 30, 1983
Number of covered employees	10,003	9,971
Total annual salary	\$268,190,600	\$252,176,400
Average annual salary	\$26,800	\$25,300
Average age	42 1/2	41 1/2
Average years of service	15	14
Number eligible for service retirement	673	606
Number vested but not eligible to retire	6,769	6,441

See note in text on salary data.

RHODE ISLAND ERS

III. RETIREE DATA

The data on retired members and beneficiaries included age, sex, monthly benefit, retirement date, option, and type of pension.

The following are significant statistics on the retired group:

	<u>State Employees</u>	<u>Teachers</u>
Pensioners:		
Number	5,532	2,995
Average age	70	73
Average monthly benefit	\$466	\$858
Beneficiaries:		
Number	372	113
Average age	73 1/2	73 1/2
Average monthly benefit	\$415	\$613

Table 3A gives distributions of the 809 new State Employee pensions in the current year by type of pension and amount. Table 4A does the same for age retirement. Tables 3B and 4B are similar for the 134 new Teacher pensions.

Tables 5A and 5B give distributions for all pensions in force at the end of the fiscal year by type and amount. Tables 6A and 6B do the same by age.

Overall, the data on retirees was quite good. A minor problem, which has no impact on cost, is that some beneficiaries may not be classified as such and therefore they would be treated as pensioners.

The data on terminated employees with vested rights to a deferred benefit did not include enough information to calculate the total cost for them. We did, however, again this year, include a cost equal to their accumulated employee contributions. We again recommend that information regarding terminated vested employees be maintained by the System so that it can be incorporated in future valuations and reflected in the costs.

Table 3A

Pensions Awarded in the Year Ended June 30, 1984
by Type and by Monthly Amount

STATE EMPLOYEES

Monthly amount	Total	Type of pension				
		Service	Ordinary Disability	Accidental Disability	Legislator	Beneficiary
Total	809	753	30	1	12	13
Under \$50	2	2	--	--	--	--
\$ 50 - 99	16	14	1	--	--	--
100 - 149	29	28	1	--	--	1
150 - 199	69	59	10	--	--	--
200 - 249	63	51	9	--	--	--
250 - 299	46	42	1	--	2	1
300 - 349	51	49	1	--	2	1
350 - 399	30	26	2	--	1	--
400 - 449	34	30	2	--	1	1
450 - 499	49	45	--	--	1	1
500 - 599	60	56	1	--	3	1
600 - 699	53	51	--	--	2	1
700 - 799	51	48	2	1	--	1
800 - 899	52	51	--	--	--	1
900 - 999	44	44	--	--	--	1
1,000 - 1,099	32	31	--	--	--	--
1,100 - 1,199	22	22	--	--	--	1
1,200 - 1,299	15	15	--	--	--	--
1,300 - 1,399	12	12	--	--	--	--
1,400 - 1,499	14	14	--	--	--	--
1,500 - 1,999	47	46	--	--	--	--
2,000 - 2,499	10	10	--	--	--	1
2,500 - 2,999	4	4	--	--	--	--
3,000 - 3,499	4	3	--	--	--	1

RHODE ISLAND ERS

Table 3B

Pensions Awarded in the Year Ended June 30, 1984
by Type and by Monthly Amount

TEACHERS

Monthly amount	Total	Type of pension			
		Service	Ordinary Disability	Accidental Disability	Beneficiary
Total	134	122	6	1	5
\$ 100 - 149	1	1	--	--	--
150 - 199	1	1	--	--	--
200 - 249	1	--	--	--	1
250 - 299	2	2	--	--	--
300 - 349	2	2	--	--	--
400 - 449	4	4	--	--	--
450 - 499	9	9	--	--	--
500 - 599	12	11	--	--	1
600 - 699	8	6	2	--	--
700 - 799	13	10	3	--	--
800 - 899	6	6	--	--	--
900 - 999	8	7	--	--	1
1,000 - 1,099	12	11	--	--	1
1,100 - 1,199	7	7	--	--	--
1,200 - 1,299	11	9	1	--	1
1,300 - 1,399	10	10	--	--	--
1,400 - 1,499	8	8	--	--	--
1,500 - 1,999	14	14	--	--	--
2,000 - 2,499	4	3	--	1	--
2,500 - 2,999	1	1	--	--	--

RHODE ISLAND ERS

Table 4A

Pensions Awarded in the Year Ended June 30, 1984
by Type and by Age on Effective Date

STATE EMPLOYEES

Age on effective date	Total	Type of pension				
		Service	Ordinary Disability	Accidental Disability	Legislator	Beneficiary
Total	809	753	30	1	12	13
25 - 29	1	--	--	--	--	--
30 - 34	1	--	1	--	--	1
35 - 39	2	--	2	--	--	--
45 - 49	7	--	5	--	--	--
50	3	--	3	--	1	1
51	2	1	1	--	--	--
52	4	3	--	--	--	--
53	9	7	1	--	--	1
54	16	12	4	--	--	1
55	15	13	--	--	--	--
56	22	19	--	--	2	--
57	10	8	1	--	2	1
58	24	18	4	--	1	--
59	21	18	2	--	--	2
60	99	97	--	--	1	--
61	69	67	--	--	--	2
62	103	100	2	--	2	--
63	74	72	1	--	--	1
64	72	70	--	1	--	--
65	88	86	2	--	--	2
66	49	48	1	--	--	--
67	35	34	--	--	--	--
68	36	35	--	--	1	--
69	35	34	--	--	1	--
70 and over	12	11	--	--	--	1

Table 4B

Pensions Awarded in the Year Ended June 30, 1984
by Type and by Age on Effective Date

TEACHERS

Age on effective date	Total	Type of pension			
		Service	Ordinary Disability	Accidental Disability	Beneficiary
Total	134	122	6	1	5
45 - 49	3	--	1	1	1
52	3	--	2	--	1
53	1	--	1	--	--
54	5	1	--	--	--
55	7	6	1	--	--
56	2	1	--	--	--
57	4	3	--	--	1
58	9	8	1	--	1
59	2	2	--	--	--
60	32	32	--	--	--
61	11	11	--	--	--
62	17	17	--	--	--
63	6	6	--	--	--
64	8	8	--	--	--
65	9	9	--	--	--
66	6	6	--	--	--
67	2	2	--	--	--
68	3	3	--	--	--
69	5	5	--	--	--
70 - 74	3	2	--	--	1

RHODE ISLAND ERS

Table 5A

Pensions in Payment Status on June 30, 1984
by Type and by Monthly Amount

STATE EMPLOYEES

Monthly amount	Total	Type of pension				
		Service	Ordinary Disability	Accidental Disability	Legislator	Beneficiary
Total	5,904	4,883	418	95	136	372
Under \$50	37	29	--	4	--	4
\$ 50 - 99	278	221	22	13	--	22
100 - 149	634	561	32	8	--	33
150 - 199	734	598	98	5	--	33
200 - 249	639	484	91	8	14	42
250 - 299	508	383	52	4	31	38
300 - 349	406	327	26	4	21	28
350 - 399	298	237	24	4	10	23
400 - 449	264	222	15	4	2	21
450 - 499	284	231	11	6	16	20
500 - 599	392	287	15	12	42	36
600 - 699	292	250	12	10	--	20
700 - 799	223	197	10	5	--	11
800 - 899	184	160	5	4	--	15
900 - 999	135	128	1	1	--	5
1,000 - 1,099	110	104	1	--	--	5
1,100 - 1,199	90	87	--	--	--	3
1,200 - 1,299	71	65	2	--	--	4
1,300 - 1,399	73	66	1	2	--	4
1,400 - 1,499	48	47	--	--	--	1
1,500 - 1,999	144	140	--	1	--	3
2,000 - 2,499	37	37	--	--	--	--
2,500 - 2,999	16	16	--	--	--	--
3,000 - 3,499	7	6	--	--	--	1

RHODE ISLAND ERS

Table 5B

Pensions in Payment Status On June 30, 1984
by Type and by Monthly Amount

TEACHERS

Monthly amount	Total	Type of pension			
		Service	Ordinary Disability	Accidental Disability	Beneficiary
Total	3,108	2,879	102	14	113
Under \$50	1	1	--	--	--
\$ 50 - 99	6	6	--	--	--
100 - 149	14	13	--	--	1
150 - 199	41	35	1	--	5
200 - 249	53	46	3	--	4
250 - 299	70	64	4	--	2
300 - 349	86	64	9	--	13
350 - 399	96	83	6	--	7
400 - 449	103	86	11	--	6
450 - 499	113	94	9	--	10
500 - 599	233	202	11	1	19
600 - 699	256	227	18	--	11
700 - 799	385	366	11	--	8
800 - 899	320	306	6	1	7
900 - 999	323	310	8	--	5
1,000 - 1,099	293	279	3	5	6
1,100 - 1,199	232	227	1	3	1
1,200 - 1,299	142	135	1	3	3
1,300 - 1,399	131	128	--	--	3
1,400 - 1,499	77	76	--	--	1
1,500 - 1,999	114	113	--	--	1
1,000 - 2,499	13	12	--	1	--
1,500 - 2,999	5	5	--	--	--
1,000 - 3,499	1	1	--	--	--

RHODE ISLAND ERS

Table 6A

Pensions in Payment Status on June 30, 1984
by Type and by Age

STATE EMPLOYEES

Age on June 30, 1984	Total	Type of pension				
		Service	Ordinary Disability	Accidental Disability	Legislator	Beneficiary
Total	5,904	4,883	418	95	136	372
25 - 29	1	--	--	--	--	1
30 - 34	8	--	4	3	--	1
35 - 39	12	1	7	2	--	2
40 - 44	13	--	6	5	--	2
45 - 49	32	--	21	3	4	4
50 - 54	66	13	31	13	2	7
55 - 59	264	125	80	18	24	17
60 - 64	963	782	105	19	23	34
65 - 69	1,665	1,472	91	11	30	61
70 - 74	1,329	1,182	44	15	21	67
75 - 79	853	736	25	5	16	71
80 - 84	473	402	4	1	9	57
85 - 89	162	128	--	--	5	29
90 - 94	50	33	--	--	2	15
95 - 99	11	8	--	--	--	3
100 - 104	1	--	--	--	--	1
105 - 109	1	1	--	--	--	--

RHODE ISLAND ERS

Table 6B

Pensions in Payment Status on June 30, 1984
by Type and by Age

TEACHERS

Age on June 30, 1984	Total	Type of pension			
		Service	Ordinary Disability	Accidental Disability	Beneficiary
Total	3,108	2,879	102	14	113
35 - 39	1	--	--	--	1
40 - 44	7	--	6	1	--
45 - 49	11	1	6	1	3
50 - 54	16	1	10	1	4
55 - 59	105	67	20	5	13
60 - 64	390	357	22	2	9
65 - 69	604	574	16	4	10
70 - 74	716	690	9	--	17
75 - 79	652	629	4	--	19
80 - 84	357	333	6	--	18
85 - 89	168	156	2	--	10
90 - 94	65	57	1	--	7
95 - 99	12	11	--	--	1
100 - 104	3	2	--	--	1
105 - 109	1	1	--	--	--

RHODE ISLAND ERS

IV. RETIREMENT FUND

The State maintains the Employees' Retirement Fund. The Retirement Board provided us with financial statements as of June 30, 1984.

The Fund receives all member and employer contributions. The assets are invested by the State Investment Commission, with the income being added to the Fund and available for reinvestment.

Payments from the Fund are primarily for refunds of employee contributions, lump sum death benefits, and pension payments. Contribution refunds occur when an employee terminates employment and elects to take a refund, or when he dies after retirement without having received payments from the Fund equal to his total contributions.

Table 7 gives a summary of income and expenditures for the years ended June 30, 1984 and 1983.

At June 30, 1984 assets totaled approximately \$744 million. Table 8 shows the composition of the assets and compares them to those of the previous year. About 67 per cent of the Fund was invested in fixed income securities such as bonds and notes.

The financial statements indicate that 51 per cent of the assets relate to State Employees, 45 per cent are for Teachers, and 4 per cent relate to Teachers Survivors benefits. There is also a small unallocated reserve for unclaimed benefits. Table 9 shows the allocation of assets in detail for 1984 and 1983.

Table 7
SUMMARY STATEMENT OF INCOME AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 1984 AND 1983

	1984	1983
EMPLOYEE CONTRIBUTIONS	\$71,565,441	\$80,611,466
MEMBER CONTRIBUTIONS	34,500,283	33,988,997
TOTAL CONTRIBUTIONS	\$106,065,614	\$98,610,461
1984: ADMINISTRATION EXPENSES		8
NET CONTRIBUTION INCOME	\$106,065,614	\$98,610,453
NET INVESTMENT INCOME	291,671	206,390
INVESTMENTS		
BONDS	\$12,285,643	\$10,130,940
TREASURY	48,494,030	42,850,978
CAPITAL MARKETS AND OTHERS	5,541,783	1,553,250
NET INVESTMENT INCOME	\$16,321,456	\$4,534,168
TOTAL INCOME AVAILABLE FOR BENEFIT PAYMENTS	\$174,188,561	\$153,180,611
BENEFIT PAYMENTS:		
PENSION BENEFITS	\$2,544,429	\$54,498,222
DEATH BENEFITS	1,163,485	1,045,785
CONTRIBUTION REFUNDS	3,791,066	3,544,835
TOTAL BENEFIT PAYMENTS	\$7,498,980	\$59,092,842
EXCESS OF INCOME OVER EXPENSES	\$106,589,581	\$84,088,070

NOTE: DOLLAR FIGURES MAY NOT ADD TO TOTALS SHOWN BECAUSE OF ROUNDING.

Table 8
Assets as of June 30, 1984 and 1983

	1984	1983
Cash (overdraft)	\$(400,434)	\$(2,844,161)
Accrued interest receivable	11,199,556	9,565,690
Investments		
Government bonds	\$302,039,326	\$245,255,816
Corporate bonds	97,375,000	117,403,000
Common and preferred stocks and united partnership	233,698,182	178,185,432
Certificates of deposit and repurchase agreements	62,800,000	46,335,203
Commercial paper	47,090,170	49,041,958
International bond	150,000	150,000
(Less) Unamortized premiums and discounts	(10,075,229)	(5,805,946)
	<u>733,077,451</u>	<u>630,565,463</u>
Total assets	<u>\$743,876,573</u>	<u>\$637,286,992</u>

Note: Detail figures may not add to totals shown because of rounding.

RHODE ISLAND ERS

MARTIN E. SEGAL COMPANY

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Table 9
Allocation of Assets by Plan
as of June 30, 1984 and 1983

	1984	1983
State Employees:		
Employer reserves	\$279,396,286	\$234,614,495
Member reserves	<u>97,967,720</u>	<u>92,361,077</u>
Total State Employees reserves	\$377,364,006	\$326,975,572
Teachers:		
Employer reserves	\$194,590,615	\$155,152,471
Member reserves	<u>141,209,145</u>	<u>127,472,311</u>
Total Teacher reserves	335,799,760	282,624,782
Teachers Survivors:		
Employer reserves	\$ 23,450,457	\$ 20,894,248
Member reserves	<u>7,101,740</u>	<u>6,686,410</u>
Total Teachers Survivors reserves	30,552,196	27,580,658
Unallocated:		
Unclaimed benefit reserve	<u>160,611</u>	<u>105,980</u>
Total assets	<u>\$743,876,573</u>	<u>\$637,286,992</u>

Note: Detail figures may not add to totals shown because of rounding.

RHODE ISLAND ERS

MARTIN E. SEGAL COMPANY

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V. ACTUARIAL ASSUMPTIONS AND COST METHOD

The actual cost of a pension plan consists of the benefit payments and administrative expenses less any investment earnings. An actuarial cost method aims to budget this cost so as to establish a reasonable relationship between employer pension contributions and the employee services that give rise to the pension obligation. The result is an employer contribution which anticipates future payments. A fund accumulates which earns investment income, thus reducing the ultimate cost.

Calculating the appropriate contribution requires that projections, and therefore assumptions, be made as to future experience. Some items, such as mortality rates, can be predicted fairly accurately. Others, such as future salary increases are, of course, subject to considerable variation. It will be useful to identify the assumptions used, particularly since broad questions of fiscal policy are implicit in certain of the assumptions. These assumptions are the same as those used in the June 30, 1983 study with one exception. The assumed retirement age has been revised because of the new provision allowing retirement at any age with 30 years of service.

Mortality Rates

We assumed that mortality rates would conform with the 1971 Group Annuity Mortality Table. This is the most commonly used table of pension plan mortality, and we believe it is a reasonable basis for estimating experience under the System. Table 10 gives some life expectancies determined from this table.

Salary Projections

The System provides benefits that are based on the three highest consecutive years' salary for each employee. To assume that each employee's salary will be the same in the three years before retirement as it is today would seriously understate the System's cost. Accordingly, we use a salary projection to anticipate future increases in earnings.

Additionally, it is appropriate to compute pension normal costs which are level as a percentage of payroll rather than level as a dollar amount, and a salary projection is also used for this purpose. If the cost were calculated as a level dollar amount for an individual, the cost might be a high per cent of his pay when he is young and a lower per cent of his higher salary at a later age. By the use of a salary projection, the contribution for an individual, all other things remaining the same, tends to stay at the same percentage over the years.

How to project future salaries is a major policy question. To what extent should one seek to anticipate, through present contributions, the full impact on pension costs of future salary changes?

For purposes of our cost determination, we have made a moderate allowance for general salary increases in the future. We also reflect salary increases as the result of longevity and promotions. The scale has relatively greater increases at the younger ages to correspond with the State's salary schedules. The salary scale factors are:

<u>Age</u>	<u>Present Salary as a % of Age 65 Salary</u>	<u>Annual Increases (Rate %)</u>
20	17.45	4.84
25	22.07	4.75
30	27.76	4.59
35	34.62	4.39
40	42.68	4.08
45	51.76	3.72
50	61.77	3.45
55	72.98	3.13
60	86.08	2.16

As will appear, the problem of salary projection has a parallel in the question of choosing an assumption as to future investment yield and the two are somewhat interrelated.

Termination Rates

In any employee group, many employees will terminate and receive less than full benefits. Employees terminating with less than ten years of active service, for example, receive only a refund of their contributions. The termination assumption anticipates the release of State and Town funds that may have been accumulated for such people, thus resulting in a reduced ongoing cost.

We assumed that terminations each year from all causes would be as follows:

State Employees (Rate %)

<u>Age</u>	<u>Death*</u>	<u>Disability</u>	<u>Withdrawal</u>	<u>Total*</u>
20	.05	.06	21.20	21.31
25	.06	.09	15.80	15.95
30	.08	.11	11.60	11.79
35	.11	.15	8.40	8.66
40	.16	.22	6.20	6.58
45	.29	.36	4.20	4.85
50	.53	.61	2.60	3.73
55	.85	1.01	--	1.86
60	1.31	--	--	1.31

15% of the above disability rates are service-connected.

Teachers (Rate %)

<u>Age</u>	<u>Death*</u>	<u>Disability</u>	<u>Withdrawal</u>	<u>Total*</u>
20	.05	.06	12.39	12.50
25	.06	.09	9.70	9.85
30	.08	.11	7.50	7.69
35	.11	.15	5.66	5.92
40	.16	.22	4.14	4.52
45	.29	.36	2.75	3.41
50	.53	.61	1.35	2.49
55	.85	1.01	--	1.86
60	1.31	--	--	1.31

15% of the above disability rates are service-connected.

*Rates shown are for men; rates for women are slightly lower.

Note: Detail figures may not add to totals shown because of rounding.

Retirement Ages

The System provides unreduced benefits upon completion of 30 years of service for general employees and age 50 for State Correctional Officers. In prior years we assumed State Employees would retire at age 64, or upon the completion of ten years of service if later. Teacher retirements were assumed to occur when the teacher has attained age 63 and had completed ten or more years of service. Because of the new provision allowing retirement at any age with 30 years of service, we have reduced these assumed ages to 63 1/2 for state employees and 62 for Teachers. For both groups the requirement of 10 years of service has been retained. In any case where the employee already meets these assumed conditions of age and service, it is assumed that he or she will retire immediately.

Post-Retirement Increases

Following the third anniversary of retirement, cost-of-living increases are regularly provided to pensioners. Our calculations assumed 3 per cent annual benefit increases as provided by Statute. Cost-of-living increases are now "compounded" from year to year. With this valuation we took into account the adjustment effective January 1, 1985.

Investment Return

Investment return has a major effect on the ultimate cost of a retirement system. In general, if a system is actuarially funded so that it has a reserve which is earning substantial investment income, a yield of 6 per cent - in contrast to a 5 per cent yield - could reduce annual costs by 16-20 per cent.

An assumption must be made concerning future yields. It must be a rate that will be valid for the long-run, that is, not only for money invested today or next year, but also for money invested 40 or more years from now.

We select an investment return assumption of 6 1/2 per cent per year for our calculation. This assumption takes account of probable moderate long-term inflation but is not tied directly to the higher rates currently available.

Actuarial Cost Method

We have used the "entry age normal" actuarial cost method. This method spreads the cost of the benefits to be provided to an individual as a level percentage of his pay from his date of employment to his assumed date of retirement. The normal cost for the entire system is equal to the sum of the normal costs for all participants. In a rough sense, it can be visualized as the cost of benefits earned during the current year.

The accrued actuarial liability represents the amount by which the future normal costs fall short of meeting the cost of future benefit payments. It can also be viewed, roughly, as the value of benefits accrued for service prior to the valuation date.

Overall Actuarial Basis

We believe that our assumptions, taken as a whole, are reasonable. To the extent that actual experience is better or worse than assumed, actuarial gains or losses will develop, with corresponding decreases or increases in future costs.

Missing Data

It was necessary to make certain "non-actuarial" assumptions where data was missing or incomplete. In all cases, we assumed such individuals had the same characteristics as other participants, taking into account the known characteristics (e.g., male members age 37 with unknown services were assumed to have the same service distribution as male members age 37 with known service).

Table 10
Expected Number of Years of Life
Remaining at Specified Ages

Age	Male	Female
55	22.7	28.0
56	21.9	27.1
57	21.1	26.2
58	20.3	25.3
59	19.5	24.4
60	18.8	23.5
61	18.0	22.6
62	17.3	21.8
63	16.5	20.9
64	15.8	20.1
65	15.1	19.2
66	14.4	18.4
67	13.8	17.6
68	13.1	16.8
69	12.5	16.0
70	11.9	15.3
71	11.3	14.5
72	10.8	13.8
73	10.3	13.1
74	9.7	12.4
75	9.2	11.7

1971 Group Annuity Mortality Table.

RHODE ISLAND ERS

VI. RESULTS OF VALUATION

State Employees

The costs for State Employees as of June 30, 1984, taking into account all the recent legislation and the increase in the employee contribution rate to 6 1/2 per cent effective July 1, 1985, developed as follows:

<u>Item</u>	<u>Amount</u>	<u>% of Payroll</u>
(1) Participating payroll	\$267,014,800	--
(2) Employer normal cost	12,506,800	4.7%
(3) Unfunded actuarial liability	455,738,400	--
(4) Interest on unfunded actuarial liability	27,815,100	10.4
(5) Total annual cost payable July 1, 1984--Interest only = (2) + (4)	40,321,900	15.1
(6) Total annual cost payable monthly = (5) plus 1/2 year interest--Interest only	41,632,400	15.6

The funding statute calls for the State to contribute 100 per cent of the projected normal cost plus 100 per cent of the interest on the unfunded actuarial accrued liability (as of June 30, 1984) for the 1985-86 fiscal year. Based on this requirement and a projected participating payroll of \$298,000,000, the 1985-86 employer contribution "rate per cent" for State Employees is 14.5 per cent of payroll, developed below.

<u>Item</u>	<u>Amount</u>	<u>% of Projected Payroll</u>
(7) Projected 1985-86 participating payroll	\$298,000,000	--
(8) 1985-86 employer normal cost = 4.6839% x (7)	13,958,000	4.7%
(9) Required contribution payable July 1, 1985 = 1.00 x (8) + 1.00 x (4)	41,773,100	14.0
(10) Required contribution payable monthly = (9) plus interest adjustment	43,130,700	14.5

The calculations as completed determine the employer contribution to be paid into the retirement fund at the beginning of each year with interest earnings starting from that date. In fact, the money is deposited monthly. Thus, about half a year's interest is lost, and the contribution must be increased to reflect this. Lines 6 and 10, on the previous page include this adjustment.

The "full cost" of the System's benefits (Line 6) is 15.6 per cent of payroll is slightly higher than for the previous year reflecting the new legislation and revision in the actuarial assumptions.

Teachers

The cost for Teachers as of June 30, 1984, taking into account all the recent legislation and the increase in the employee contribution rate to 7 1/2 per cent effective July 1, 1985, developed as follows:

<u>Item</u>	<u>Amount</u>	<u>% of Payroll</u>
(1) Participating payroll	\$268,190,600	--
(2) Employer normal cost	10,876,500	4.1%
(3) Unfunded actuarial liability	739,871,600	--
(4) Interest on unfunded actuarial liability	45,156,600	16.8
(5) Total annual cost payable July 1, 1984--Interest only = (2) + (4)	56,033,100	20.9
(6) Total annual cost payable monthly = (5) plus 1/2 year interest--Interest only	57,854,200	21.6

Note: Detail figures may not add to totals shown because of rounding.

Applying the funding statute to the Teachers' costs and a projected participating payroll of \$298,500,000 gives a contribution "rate per cent" requirement for fiscal 1985-86 of 19.8 per cent. Half of this rate (9.9%), is payable by the State and half by the municipalities. The "rate per cent" is developed as follows:

Item	Amount	% of Participating Payroll
(7) Projected 1985-86 participating payroll	\$298,500,000	--
(8) 1985-86 employer normal cost = $4.9559\% \times (7)$	12,105,750	4.12
(9) Required contribution payable July 1, 1985 = $1.50 \times (8) + 1.50 \times (4)$	17,262,300	19.2
(10) Required contribution payable monthly = (9) plus interest adjustment	59,123,300	19.8

The calculations as completed assume that the employer contributions will be paid into the retirement fund at the beginning of each fiscal year and will start to earn interest from that date. In fact, the money will be deposited monthly. Thus, about a half a year's interest is lost, and the contribution must be increased to reflect this. Lines 8 and 10, above, include this adjustment.

The "full cost", measured by line 8 above, is 21.6 per cent of payroll. This compares to 20.9 per cent for the previous year.

We believe that the funding program as set forth in the state statute is a reasonable basis for funding the Rhode Island Teachers Retirement System. If the statutory funding program is followed without change, the System will be fully funded -- that is, the assets will equal the actuarial liability on June 30, 2016. In the interim, the assets are projected to be sufficient at all times to meet the cash requirements for projected benefit payments.

Teacher Survivors

Because data on dependents of teachers is not available, it is not possible to do a thorough analysis of the Teachers Survivor program. However, through the use of assumed ages for members and their spouses and children, we were able to determine that the current assets of \$36.4 million together with the future income should be sufficient to cover the actuarial liabilities of this program. Currently the employee and the employer each contribute one per cent of salary up to \$8,600 for a maximum contribution of \$192 annually. Each year, the contributions on behalf of the approximately 5,000 members are approximately \$1 million while the benefit payments are usually somewhat less.

Value of Vested Benefits

In private pension plans, it is customary for the actuary to provide the "value of vested benefits". This figure is used by accountants in preparing financial statements, both as a disclosure item and as a factor in determining the provision for pension expense, in accordance with Opinion No. 8 of the Accounting Principles Board of the American Institute of Certified Public Accountants, "Accounting for the Cost of Pension Plans". While we recognize that the State may not be covered by this opinion, a brief discussion of this subject may be helpful.

The "value of vested benefits" represents the single sum value under the plan's investment income and mortality assumptions of all benefits to present and former employees which do not have future employment by the employee as a required condition for their receipt. Thus, it includes the present value of an immediate or deferred pension for all pensioners, beneficiaries, and active participants with at least ten years of service. For active employees with less than ten years of service and inactive vested employees, only the accumulated employee contributions are included.

For the Employees' Retirement System, the value of vested benefits as of June 30, 1984 is as follows:

	<u>State Employees</u>	<u>Teachers</u>
Active members	\$335,811,300	\$442,790,300
Inactive members	4,031,800	5,573,600
Retired members	<u>361,719,000</u>	<u>319,838,100</u>
Total value of vested benefits	\$701,562,100	\$768,202,000
Assets	<u>377,364,000</u>	<u>335,799,800</u>
Unfunded value of vested benefits	<u>\$324,198,100</u>	<u>\$432,402,200</u>

Overall Status of System

Legislation in January, 1979 effectively returned the System to its former statutory funding schedule beginning with the 1979-80 fiscal year. (Actually, the accelerated funding provided for by the General Assembly in 1978 was never used as the basis for determining contributions as its effective date was deferred for one year to July 1, 1979, by which date the further revision of the law superseded it.)

Under the funding law as amended, the Employers will not begin to pay the full normal cost and an amortization payment until the fiscal year beginning July 1, 1986. Thus, for fiscal 1985-86, as reported earlier, the employer cost is 100 per cent of the normal cost and 100 per cent of the interest payment on the unfunded actuarial accrued liability.

As the funding law currently exists, beginning with the fiscal year starting July 1, 1986, the statutory contribution will comprise the normal cost, amortization of the June 30, 1985 unfunded liability based on the sum-of-the-digits method over 30 years, and interest on the unfunded actuarial accrued liability.

* * * * *

APPENDIX

MODEL FORM SUMMARY STATEMENT RE CITY AND TOWN PARTICIPATION IN TEACHERS' RETIREMENT SYSTEM FOR PURPOSES OF FINANCIAL STATEMENTS AND REPORTS, MUNICIPAL BOND REGISTRATION STATEMENTS, ETC.

The (city) (town) of _____ provides retirement benefits to its public school teachers through its participation in the Rhode Island Retirement System, a statutory, mandatory, state-wide, multi-employer retirement system, which first covered Rhode Island teachers on July 1, 1949. This System is administered as a unified state-wide system by the State Retirement Board, the composition of which is set forth in the pertinent state statute. The assets are held in the custody of the State Treasurer as an undivided single fund.

The actuarial costs of the retirement benefits are partially funded by employee contributions of 7 per cent of pay increasing to 7 1/2 per cent July 1, 1985. The net employer actuarial costs are determined annually by the actuary and as provided by statute are certified by the Retirement Board to the Department of Administration as a rate per cent of payroll, payable one half by the State of Rhode Island and one half by the (city) (town). The statute provides for increasing graduated percentages of the annual normal cost and interest on the unfunded liability until the year beginning July 1, 1986 when the full normal cost and amortization payments on a 30-year schedule are required. For the year beginning July 1, 1985, 100 per cent of the normal cost and 100 per cent of the interest on the unfunded liability are the required levels of actuarial funding.

Actuarial valuations prepared by Martin E. Segal Company, applying the entry age normal cost method, assuming 6 1/2 per cent interest return on invested assets and applying assumed rates of salary progression, allowance for post-retirement increases and other actuarial assumptions--all as set forth in the published annual reports of the Retirement Board--reveal the following comparative highlights of the last three years for the Teachers' System as a whole:

	Year Beginning July 1,		
	1982	1983	1984
Active participants	10,133	9,971	10,003
Pensioners and beneficiaries	3,000	3,071	3,108
Inactive participants	1,270	1,435	1,454
Liability for accrued vested benefits	\$624,178,500	\$705,035,300	\$768,202,000
Net assets	235,774,700	282,624,800	335,799,800

	Year Ended June 30,		
	1982	1983	1984
Employer contributions	\$30,810,280	\$35,758,376	\$37,514,713
Member contributions	14,419,664	18,028,964	17,519,110
Total contributions	\$45,229,944	\$53,787,339	\$55,033,823
Net miscellaneous income	37,569	48,284	125,094
Investment income	20,941,314	23,955,795	30,374,935
Total income available for benefit payments	\$66,208,827	\$77,791,419	\$85,533,852
Benefit payments	29,355,267	30,941,303	32,358,874
Excess of income over expenses	\$36,853,560	\$46,850,116	\$53,174,978

Note: Detail figures may not add to totals shown because of rounding.

Actuarial costs and liabilities, as shown in the summary presentation, are determined in the aggregate for the Teachers System. Accordingly, employer contributions are first determined in the aggregate for all participating employers in this multi-employer system; are then expressed as a rate per cent of the aggregate participating payroll; and one half this rate per cent is then promulgated to each participating employer as the actuarial cost factor to be applied to its participating payroll (the remaining one half of the employer cost is contributed by the State). Employer contributions by (city) (town) of _____ for each of the last three years (together with the amount for the current year, based on the promulgated rate per cent of 9.9 per cent) are as follows:

	Year Ending June 30,		
	1981	1982	1983 (est.)
Participating payroll			
Employer contributions			

With respect to the Teachers Retirement System, Martin E. Segal Company, independent actuaries advising the Retirement Board have stated on February 5, 1985:

"We believe that the funding program set forth in the state statute is a reasonable basis for funding the Rhode Island Teachers Retirement System. If the statutory funding program is followed without change, the System will be fully funded--that is, the assets will equal the actuarial liability on June 30, 2016. In the interim the assets are projected to be sufficient at all times to meet the cash requirements for projected benefit payments."

According to the statutory funding schedule, the contributions required each year of the (city) (town) of _____ and the State, will increase as the System moves toward the funding of the full annual cost. Ultimately, however, because the actuarial funding results in the accumulation of reserves that are invested, the required appropriation will be significantly less than would be required if this System were on a pay-as-you-go basis.

MARTIN E. SEGAL COMPANY

60 BOYLSTON STREET
BOSTON, MASSACHUSETTS 02116
(617) 262-0550

February 5, 1985

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND
CERTIFICATE OF ACTUARIAL VALUATION

This is to certify that we have prepared an actuarial valuation of the plan as of June 30, 1984.

This certificate contains the following attached exhibits:

- EXHIBIT I - Actuarial Cost Development of Fiscal Year 1985-86 Contribution Percentage
 - A. State Employees
 - B. Teachers
- EXHIBIT II - Actuarial Assumptions and Cost Method
- EXHIBIT III - Summary of Plan Provisions

To the best of my knowledge, the information supplied in this actuarial valuation is complete and accurate (except as noted in Exhibit I) and in my opinion the assumptions used in the aggregate (a) are reasonably related to the experience of the plan and to reasonable expectations and (b) represent my best estimate of anticipated experience under the plan.

MARTIN E. SEGAL COMPANY, INCORPORATED

By: Joseph C. Demy
Joseph C. Demy, A.S.A., M.A.A.F.
Vice President and Actuary

EXHIBIT I

ACTUARIAL COST FOR DEVELOPMENT OF
FISCAL YEAR 1985-86 CONTRIBUTION PERCENTAGE

A. STATE EMPLOYEES

The valuation was made with respect to the following data supplied to us by the Retirement Board:

- a. 15,361 active participants (including 6,292 fully vested) with total annual salaries of \$267,014,800
- b. 1,798 inactive participants
- c. 5,904 pensioners (including 372 beneficiaries of deceased pensioners and active employees)

The cost factors as of the valuation date are as follows:

1. Total normal cost	\$ 29,862,800
2. Projected employee contributions	17,356,000
3. Employer normal cost	12,506,800
4. Actuarial liability - total	811,102,400
Active employees	\$467,351,600
Inactive employees	4,031,800
Pensioners (including beneficiaries of deceased pensioners and active employees)	361,719,000
5. Assets	377,364,000
6. Unfunded actuarial liability	455,738,400
Liability for accrued vested benefits:	\$701,562,100

Note: Included are 103 active employees unknown as to age, service, or both. Status of beneficiaries was unclear. The liability included for inactive employees is the sum of their accumulated contributions.

EXHIBIT I

ACTUARIAL COST FOR DEVELOPMENT OF
FISCAL YEAR 1985-86 CONTRIBUTION PERCENTAGE

A. TEACHERS

The valuation was made with respect to the following data supplied to us by the Retirement Board:

- a. 10,003 active participants (including 7,442 fully vested) with total annual salaries of \$268,190,600
- b. 1,454 inactive participants
- c. 3,108 pensioners (including 113 beneficiaries of deceased pensioners and active employees)

The cost factors as of the valuation date are as follows:

1. Total normal cost	\$ 30,990,800
2. Projected employee contributions	20,114,500
3. Employer normal cost	10,876,500
4. Actuarial liability - total	1,075,671,600
Active employees	\$750,259,700
Inactive employees	5,573,600
Pensioners (including beneficiaries of deceased pensioners and active employees)	319,838,100
5. Assets	335,799,800
6. Unfunded actuarial liability	739,871,600
Liability for accrued vested benefits:	\$768,202,000

Note: Included are 356 active employees unknown as to age, service, or both. Status of beneficiaries was unclear. The liability included for inactive employees is the sum of their accumulated contributions.

EXHIBIT II

ACTUARIAL ASSUMPTIONS AND COST METHOD

Mortality rates -- 1971 Group Annuity Mortality Table

Disability mortality before age 65 -- Age 65 mortality under stipulated table

Termination rates before retirement:

State Employees (Rate %)

Age	Death	Disability	Withdrawal	Total
20	.05	.06	21.20	21.31
25	.06	.09	15.80	15.95
30	.08	.11	11.60	11.79
35	.11	.15	8.40	8.66
40	.16	.22	6.20	6.58
45	.29	.36	4.20	4.85
50	.53	.61	2.60	3.73
55	.85	1.01	--	1.86
60	1.31	--	--	1.31

15% of the above disability rates are service-connected.

Teachers (Rate %)

Age	Death	Disability	Withdrawal	Total
20	.05	.06	12.39	12.50
25	.06	.09	9.70	9.85
30	.08	.11	7.50	7.69
35	.11	.15	5.66	5.92
40	.16	.22	4.14	4.52
45	.29	.36	2.75	3.41
50	.53	.61	1.35	2.49
55	.85	1.01	--	1.86
60	1.31	--	--	1.31

15% of the above disability rates are service-connected.

*Rates shown for men; rates for women are slightly lower.

Note: Detail rates may not add to totals shown due to rounding.

Salary scale:

Age	Present salary as a % of salary at 65	Annual increase (Rate %)
	17.45	4.84
20	22.07	4.75
25	27.76	4.59
30	34.62	4.39
35	42.68	4.08
40	51.76	3.72
45	61.77	3.45
50	72.98	3.33
55	86.08	3.16
60		

Includes allowance for inflation of 3% per year.

Unknown characteristics of employees: Same as those exhibited by employees with known characteristics. Unknown salary is assumed to be \$10,000 for State Employees and \$15,000 for Teachers.

Retirement age -- State Employees: 63 1/2 (previously 64), or completion of service requirement, if later. Teachers: 62 (previously 63), or or completion of service requirement if later.

Post-retirement increases -- 3% compounded annually

Percent married -- Social Security awards during 1972

Net investment return -- 6 1/2%

Valuation of assets -- At amortized book value for bonds and at cost for stocks

Actuarial cost method -- Entry age normal cost

EXHIBIT III

SUMMARY OF PLAN PROVISIONS

Service pension

	General Employees	Correctional Officers	Legislators
Age requirement:	60	50	55
	None		None
	or		or
Service requirement:	10 yrs. 30 yrs.	20 yrs.	8 yrs. 20 yrs.

Amount: 1.7% of final average salary up to 10 years of service plus 1.9% per year for the next 10 years of service plus 2.4% for each additional year of service to a maximum of 80%. Final average salary is defined as the average of compensation earned during the highest 3 consecutive years prior to termination. Correctional officers receive 2% of final average salary per year of service. Legislators receive \$300 per year of service to a maximum of \$6,000. Retirement is mandatory at age 70 except for elected officials. For correctional officers, mandatory retirement is the later of age 55 and the completion of 20 years of service.

Disability

Non-occupational:

Age requirement: None
 Service requirement: 5 years
 Amount: Regular pension based on service accrued and final average salary at disability, payable immediately.
 The minimum retirement percentage is 17%, regardless of service.

Occupational:

Age requirement: None
 Service requirement: None
 Amount: 66 2/3% of final salary, payable immediately.

Vesting

Age requirement: None
 Service requirement: 10 years
 Amount: Regular pension accrued, payable at age 60.

Pre-retirement death benefits

Lump sum benefit:

Age requirement: None
Service requirement: None
Amount: (a) \$400 per year of service to a maximum of \$8,000
and with a minimum of \$2,000.
(b) Refund of employee contribution

Joint and Survivor benefit (applicable only if elected by employee):

Age requirement: 60 50 Legislators: None
or
Service requirement: 10 yrs. 20 yrs. 8 yrs.

Amount: Benefit employee would have received had he retired the day before he died and elected the joint and survivor option.

Occupational death benefit:

Age requirement: None
Service requirement: None
Amount: (a) 50% of salary to spouse or children under age 18,
less workmen's compensation
(b) Refund of employee contributions.

Post-retirement death benefit

Lump sum benefit:

(a) 100% of employee contributions, less benefits paid.
(b) Pre-retirement death benefit, reduced 25% per year
of retirement, but not less than \$2,000.

Employee contribution rate:

Date	State Employees	Teachers	Legislators
Prior to 7/1/79	5%	6%	30%
7/1/79 - 6/30/82	5 1/2	6 1/2	30
7/1/82 - 6/30/85	6	7	30
7/1/85 and later	6 1/2	7 1/2	30

Available options:

Joint and survivor with 50% or 100% continued to the beneficiary after the death of the employee.

Post-retirement cost-of-living increases:

3% of current amount, compounded, to pensioners and beneficiaries following the third anniversary of retirement.

Available options:

Joint and survivor with 50% or 100% continued to the beneficiary after the death of the employee.

Post-retirement cost-of-living increases:

3% of current amount, compounded, to pensioners and beneficiaries following the third anniversary of retirement.

Investments

SUMMARY OF INVESTMENTS

<u>OPERATIONS:</u> (July 1, 1983 - June 30, 1984)		
TOTAL INVESTMENTS - JULY 1, 1983		\$ 636,371,409
<u>ADD:</u>		
PURCHASES DURING THE YEAR	<u>639,999,650</u>	
TOTAL --		\$1,276,371,059
<u>DEDUCT:</u>		
REDEMPTIONS AND SALES DURING THE YEAR	<u>533,218,380</u>	
TOTAL INVESTMENTS - JUNE 30, 1983		\$ <u>743,152,679</u>
<u>INVESTMENT ACCOUNT:</u> (By Type of Security)		
U. S. Government	\$ 290,392,000	39.08%
Government National Mortgage	7,307,326	0.98
Federal National Mortgage	2,440,000	0.33
International Bank for Reconstruction	1,600,000	0.21
Certificates of Deposit	54,550,000	7.34
Repurchase Agreements	8,250,000	1.11
Commercial Paper	47,090,170	6.34
Federal Home Loan	300,000	0.04
Miscellaneous	550,000	0.07
Railroad Bonds	100,000	0.01
Public Utility Bonds	64,822,000	8.72
Industrial Bonds	32,453,000	4.37
Common Stocks	213,521,656	28.73
Bank Stock	13,642,620	1.84
Preferred Stock	6,133,907	0.83
	<u>743,152,679</u>	<u>100.00%</u>

INVESTMENTS OWNED

<u>DESCRIPTION</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>CARRYING VALUE</u>
<u>UNITED STATES OF AMERICA</u>			
U. S. Treasury Notes	12.125%	9-30-84	\$3,000,000
" " "	14.375	5-15-85	2,560,000
" " "	10.375	5-15-85	7,500,000
" " "	11.750	11-15-85	1,000,000
" " "	13.500	2-15-86	4,000,000
" " "	8.000	8-15-86	550,000
" " "	13.875	11-15-86	6,000,000
" " "	16.125	11-15-86	3,490,000
" " "	12.750	2-15-87	4,000,000
" " "	9.000	2-15-87	2,000,000
" " "	12.000	5-15-87	11,000,000
" " "	7.625	11-15-87	4,200,000
" " "	12.375	1-15-88	7,000,000
" " "	13.250	4-15-88	10,000,000
" " "	8.250	5-15-88	1,487,000
" " "	14.000	7-15-88	1,750,000
" " "	15.375	10-15-88	300,000
" " "	8.750	11-15-88	1,400,000
" " "	11.375	2-15-89	1,100,000
" " "	9.250	5-15-89	4,000,000
" " "	10.750	8-15-90	10,000,000
" " "	13.000	11-15-90	5,500,000
" " "	14.500	5-15-91	10,000,000
" " "	14.625	2-15-92	3,000,000
" " "	13.750	5-15-92	7,100,000
" " "	10.125	5-15-93	6,000,000
" " "	11.875	8-15-93	7,000,000
" " "	11.750	11-15-93	5,000,000
" " "	13.000	11-15-90	1,000,000
U. S. Treasury Bonds	8.25	5-15-90	300,000
" " "	7.250	8-15-92	2,550,000
" " "	6.750	2-15-93	400,000
" " "	7.875	2-15-93	750,000
" " "	7.500	8-15-93	850,000
" " "	8.625	8-15-93	6,405,000
" " "	8.625	11-15-93	3,000,000
" " "	9.000	2-15-94	9,000,000
" " "	8.750	8-15-94	2,000,000
" " "	10.125	11-15-94	10,000,000
" " "	10.500	2-15-95	10,600,000
" " "	12.625	5-15-95	1,000,000
" " "	10.375	5-15-95	10,000,000
" " "	11.500	11-15-95	9,000,000

<u>INVESTMENTS OWNED</u>			
<u>DESCRIPTION</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>CARRYING VALUE</u>
<u>UNITED STATES OF AMERICA</u>			
U. S. Treasury Bonds (Cont'd.)	7.000	5-15-98	250,000
" " "	8.50	5-15-99	4,000,000
" " "	7.875	2-15-00	2,500,000
" " "	8.375	8-15-00	5,000,000
" " "	8.000	8-15-01	1,000,000
" " "	13.395	8-15-01	7,500,000
" " "	11.625	11-15-02	9,000,000
" " "	10.750	5-15-03	3,000,000
" " "	11.875	11-15-03	3,500,000
" " "	12.375	5-15-04	1,000,000
" " "	8.250	5-15-05	3,600,000
" " "	7.625	2-15-07	2,900,000
" " "	8.375	8-15-08	12,350,000
" " "	9.125	5-15-09	3,600,000
" " "	10.000	5-15-10	19,300,000
" " "	13.875	5-15-11	8,000,000
" " "	14.000	11-15-11	2,600,000
" " "	12.000	8-15-13	4,500,000
TOTAL - U. S. TREASURY			<u>\$290,192,000</u>

<u>GOVERNMENT NATIONAL MORTGAGE ASSOCIATION</u>			
<u>DESCRIPTION</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>CARRYING VALUE</u>
Note - Pool #5158	7-1/4	1-15-04	288,584.74
Note - Pool #4877	7-3/4	5-15-04	306,540.66
Note - Pool #3807	7-3/4	6-15-04	662,845.20
Note - Pool #6633	7-1/4	5-15-05	639,300.95
Note - Pool #7298	7-3/4	5-15-05	661,966.60
Note - Pool #8095	8-1/2	2-15-06	1,245,850.97
Note - Pool #12180	7-1/2	4-15-06	494,675.68
Note - Pool #12168	7-1/2	6-15-06	1,499,826.60
Note - Pool #12978	8.00	9-15-06	287,754.78
Note - Pool #13268	8.00	11-15-06	626,234.40
Note - Pool #15089	8.00	1-15-07	593,746.02
TOTAL GOVERNMENT NATIONAL MORTGAGE ASSOCIATION			<u>\$7,397,326.60</u>

<u>FEDERAL NATIONAL MORTGAGE ASSOCIATION</u>			
<u>DESCRIPTION</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>CARRYING VALUE</u>
Note	7.95	7-10-86	1,000,000.00
Note	7.00	3-10-92	250,000.00
Note	7.10	12-10-97	1,190,000.00
			<u>\$2,440,000.00</u>

<u>INVESTMENTS OWNED</u>			
<u>DESCRIPTION</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>CARRYING VALUE</u>
<u>FEDERAL HOME LOAN</u>			
Note	7.65	5-26-87	300,000.00
<u>INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT</u>			
Bonds	5-3/8	4-01-92	600,000.00
Bonds	7-3/4	8-01-87	1,000,000.00
TOTAL - INTERNATIONAL BANK FOR RECONSTRUCTION & DEVELOPMENT			<u>\$1,600,000.00</u>

<u>CERTIFICATES OF DEPOSIT</u>			
<u>DESCRIPTION</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>CARRYING VALUE</u>
Marquette Credit Union	10.10	7-16-84	100,000.00
Chemical Bank of New York	10.250	7-17-84	1,500,000.00
R. I. C. U. L.	10.150	7-17-84	1,000,000.00
Citizens Bank	10.250	7-17-84	600,000.00
Pawtucket Inst. for Savings	9.800	7-23-84	500,000.00
R. I. Federal Savings	10.05	7-17-84	1,750,000.00
Peoples Bank	10.530	7-30-84	300,000.00
Citizens Bank	10.375	7-30-84	500,000.00
R. I. Federal Savings	10.150	7-30-84	1,000,000.00
Heritage Loan	10.300	7-30-84	150,000.00
Woonsocket Inst. for Savings	10.400	7-30-84	500,000.00
R. I. S. E. C. U.	10.300	7-30-84	150,000.00
Old Stone Bank	10.700	7-31-84	750,000.00
Woonsocket Inst. for Savings	10.650	7-31-84	500,000.00
Citizens Bank	10.750	7-31-84	300,000.00
Citizens Bank	10.875	7-31-84	1,000,000.00
R. I. Federal Savings	10.600	7-31-84	1,000,000.00
Citizens Bank	10.750	7-31-84	1,000,000.00
Equitable Credit Union	10.200	8-6-84	100,000.00
Citizens Bank	10.875	8-6-84	800,000.00
Woonsocket Inst. for Savings	10.800	8-6-84	500,000.00
Commercial Credit Union	10.200	8-8-84	200,000.00
Peoples Savings	11.375	8-13-84	300,000.00
Woonsocket Inst. for Savings	11.250	8-13-84	300,000.00
R. I. Federal Savings	11.100	8-13-84	800,000.00
R. I. Central	11.150	8-13-84	150,000.00
Citizens Savings	11.250	8-13-84	1,000,000.00
State Street Bank	10.750	8-14-84	1,000,000.00
Old Stone Bank	10.950	8-14-84	750,000.00
Citizens Bank	11.125	8-31-84	1,000,000.00
State Street Bank	10.750	8-31-84	1,500,000.00

INVESTMENTS OWNED

<u>DESCRIPTION</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>CARRYING VALUE</u>
<u>CERTIFICATES OF DEPOSIT</u>			
Old Stone Bank	11,000	8-31-84	750,000.00
Citizens Trust	11,125	7-20-84	2,000,000.00
R. I. Hospital Trust	11,200	7-20-84	1,500,000.00
Commercial Bank	10,200	9-4-84	100,000.00
State Street Bank	11,000	9-4-84	1,000,000.00
Citizens Trust Co.	10,875	9-4-84	1,000,000.00
Manufacturers Hanover	10,750	9-11-84	400,000.00
Citizens Trust	11,375	9-18-84	3,000,000.00
Citizens Bank	11,500	9-20-84	300,000.00
Citizens Bank	11,000	9-28-84	750,000.00
First Bank & Trust	10,850	9-28-84	1,000,000.00
Manufacturers Hanover	11,125	9-28-84	1,000,000.00
State Street Bank	10,750	9-28-84	500,000.00
State Street Bank	10,750	9-28-84	1,000,000.00
Citizens Bank	11,000	9-28-84	500,000.00
Old Stone Bank	11,500	9-28-84	2,000,000.00
Pawtucket Inst. for Savings	10,600	9-28-84	250,000.00
Peoples Trust Co.	11,770	9-28-84	300,000.00
R.I.C.U.	11,340	9-28-84	750,000.00
Carolan and Co.	11,450	9-28-84	3,000,000.00
Woonsocket Inst. for Savings	11,550	9-28-84	500,000.00
R. I. Federal Savings	11,125	10-16-84	500,000.00
Citizens Bank	11,125	10-16-84	1,250,000.00
R.I.C.U.	11,590	10-16-84	750,000.00
Peoples Bank	11,700	10-16-84	350,000.00
State Street Bank	11,125	10-31-84	1,000,000.00
Manufacturers Hanover	11,400	10-31-84	1,000,000.00
Old Stone Bank	11,750	10-31-84	2,000,000.00
Citizens Bank	11,750	10-31-84	2,500,000.00
Woonsocket Inst. for Savings	11,750	10-31-84	600,000.00
Fleet National Bank	12.25	8-19-88	2,000,000.00
TOTAL - CERTIFICATES OF DEPOSIT			\$54,550,000.00

COMMERCIAL PAPER

Goldman Sachs	10.1/8	7-31-84	1,946,562.50
A. G. Becker	10.10	7-17-84	970,261.11
G.M.A.C.	10.25	7-23-84	974,659.72
Lehman Bros.	10.39	7-25-84	973,736.39
A. G. Becker	10.400	7-17-84	980,066.67
First Boston Corp.	10.750	7-17-84	981,187.50
Goldman Sachs	10.250	7-30-84	974,090.28
Kenney Branisel	10.250	7-30-84	974,090.28
Chase Manhattan	10.42	7-30-84	1,000,000.00
Kenney Branisel	10.850	7-31-84	976,793.06
Merrill Lynch	10.950	7-31-84	976,579.17
Carolan & Co.	11.00	7-31-84	976,472.22
A. G. Becker	10.90	7-31-84	976,686.11

INVESTMENTS OWNED

<u>DESCRIPTION</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>CARRYING VALUE</u>
<u>COMMERCIAL PAPER</u>			
Chase Manhattan	10.650	7-31-84	1,000,000.00
Chase Manhattan	11.05	8-13-84	500,000.00
A. G. Becker	10.900	8-14-84	1,945,500.00
Goldman Sachs	10.875	8-14-84	1,945,625.00
Merrill Lynch	10.930	8-14-84	1,945,350.00
Kenney Branisel	11.00	8-14-84	972,500.00
Kenney Branisel	10.950	8-14-84	972,625.00
Lehman Bros.	11.150	8-31-84	966,859.72
D.M.A.C.	10.500	8-31-84	968,791.67
Shearson	10.700	8-31-84	968,197.22
Merrill Lynch	10.700	8-31-84	970,277.78
Chrysler Corp.	10.800	9-18-84	967,000.00
Bankers Trust	11.200	9-18-84	965,777.78
Chase Manhattan	11.150	9-18-84	2,000,000.00
Manufacturers Hanover	11.00	10-16-84	1,927,277.78
Manufacturers Hanover	11.100	10-16-84	1,926,616.67
Manufacturers Hanover	11.300	10-16-84	1,930,944.44
Manufacturers Hanover	11.450	10-31-84	960,243.06
Manufacturers Hanover	11.250	10-31-84	1,401,406.25
Manufacturers Hanover	11.450	10-31-84	960,561.11
Manufacturers Hanover	11.350	10-31-84	960,905.56
Manufacturers Hanover	11.250	10-31-84	1,922,500.00
Manufacturers Hanover	11.300	10-31-84	1,922,155.56
Manufacturers Hanover	11.400	10-31-84	1,441,100.00
A. G. Becker	10.875	9-18-84	<u>966,770.83</u>
TOTAL -- COMMERCIAL PAPER			\$47,090,170.44
<u>RAILROADS</u>			
Atchison, Topeka & Santa Fe			
Railway-General Mortgage	4.00	7-01-95	<u>100,000.00</u>
TOTAL - RAILROADS			\$ 100,000.00
<u>MISCELLANEOUS</u>			
Limited Partnership			
Narragansett First Fund			<u>400,000.00</u>
State of Israel Bond	7.50	6-1-95	<u>150,000.00</u>
TOTAL -- MISCELLANEOUS			\$ 550,000.00
<u>REPURCHASE AGREEMENTS</u>			
Carolan & Co.	10-1/8	7-17-84	1,750,000.00
Carolan & Co.	10.35	7-30-84	1,000,000.00
Citizens Bank	10.50	7-2-84	5,000,000.00
Carolan & Co.	10.50	10-31-84	<u>500,000.00</u>
TOTAL-REPURCHASE AGREEMENTS			\$8,250,000.00

INVESTMENTS OWNED

<u>DESCRIPTION</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>CARRYING VALUE</u>
<u>PUBLIC UTILITIES</u>			
American Tel. & Tel. Co.-	4-3/8	4-01-85	175,000.00
Debentures	4-3/4	11-01-92	800,000.00
American Tel. & Tel.	4-3/8	2-01-94	250,000.00
Debentures	5-1/2	1-01-97	250,000.00
Debentures	4-3/4	6-01-98	100,000.00
Debentures	5-1/8	4-01-01	200,000.00
Debentures	8.80	5-15-05	2,000,000.00
American Tel. & Tel.	8-5/8	2-01-07	2,000,000.00
American Tel. & Tel.	7-5/8	9-01-01	1,000,000.00
Baltimore Gas & Electric			
Bell Tel. Co. of Pa.-	4-3/4	5-01-01	200,000.00
Debentures	5-1/8	4-01-96	250,000.00
Carolina Power & Light Co.	4.00	7-01-88	100,000.00
Central Illinois Light Co.	8-5/8	4-01-09	500,000.00
Chesapeake Potomac Tel.	7-1/4	5-01-09	500,000.00
Chesapeake Potomac Tel.	8-3/4	3-01-10	500,000.00
Chesapeake Potomac Tel.			
Columbia Gas System, Inc.-	4-7/8	10-01-90	150,000.00
Debentures			
Consolidated Edison Co.-			
First Refunding Mortgage	4-5/8	12-01-93	300,000.00
First Refunding Mortgage	4-1/4	10-01-86	300,000.00
First Refunding Mortgage	5.00	10-01-87	225,000.00
First Refunding Mortgage	4.00	6-01-88	100,000.00
Consolidated Natural Gas Co.-			
Debentures	9.00	7-01-95	472,000.00
Delaware Power & Light Co.	3-7/8	6-01-88	250,000.00
Delmarva Power	7.00	11-01-98	250,000.00
Duke Power Co.-			
First Refunding Mortgage	4-1/2	2-01-92	100,000.00
Duke Power	4-1/2	2-01-92	300,000.00
Duke Power	7.00	2-01-99	500,000.00
Duke Power	8-1/2	3-01-00	1,000,000.00
Duke Power	8-3/8	10-01-06	1,000,000.00
Duke Power	7-1/4	1-01-03	1,000,000.00
Duquesne Light Co.			
Florida Power & Light Co.-			
First Mortgage	4-5/8	3-01-95	100,000.00
Florida Power & Light Co.	5.00	12-01-95	500,000.00
Florida Power & Light Co.	11.30	5-11-10	2,000,000.00
Florida Power Corp.	7-3/8	6-01-02	1,000,000.00
First Mortgage	4-7/8	11-01-95	250,000.00
First Mortgage	7.00	12-01-98	250,000.00
Florida Power	7-5/8	1-10-01	250,000.00
General Telephone			
of California-			
First Mortgage	5.00	12-01-95	100,000.00
Debentures	5-3/4	3-01-92	200,000.00
Debentures	7-1/8	12-01-98	500,000.00

INVESTMENTS OWNED

<u>DESCRIPTION</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>CARRYING VALUE</u>
<u>PUBLIC UTILITIES</u>			
General Telephone of Ohio	10-1/4		
Illinois Bell Telephone Co.-		12-01-04	1,000,000.00
First Mortgage	4-1/4		
First Mortgage	4-3/8	3-01-88	100,000.00
First Mortgage	6.00	3-01-94	100,000.00
First Mortgage	8.00	7-01-98	250,000.00
Iowa Electric	7-7/8	6-01-05	500,000.00
Iowa Power & Light Co.	4-5/8	12-01-00	500,000.00
Kentucky Utilities Co.	9-1/8	1-01-91	200,000.00
Madison Gas & Electric	9-3/4	4-01-04	1,400,000.00
Michigan Bell Telephone Co.-		5-01-04	1,000,000.00
Debentures	6-3/8		
Debentures	4-5/8	2-01-05	500,000.00
Michigan Bell Telephone	8-5/8	8-01-96	175,000.00
Mountain State Tel. & Tel.	8.00	2-01-10	500,000.00
Narragansett Electric Co.-		10-01-09	1,000,000.00
First Mortgage	3-1/2		
New England Power	4.00	3-01-86	200,000.00
New England Power	7-5/8	6-01-88	200,000.00
New England Power	8-5/8	7-01-02	1,000,000.00
New England Tel. & Tel.	8.00	8-01-03	1,000,000.00
New England Tel. & Tel.	7-3/8	11-15-03	500,000.00
New Jersey Bell Tel. Co.	4-7/8	10-15-07	700,000.00
New York Telephone Co.-		11-01-00	100,000.00
Refunding Mortgage	3.00		
Refunding Mortgage	4-1/8	10-15-89	110,000.00
Refunding Mortgage	4-7/8	7-01-93	125,000.00
Refunding Mortgage	7-1/2	1-01-06	250,000.00
Refunding Mortgage		3-01-09	500,000.00
Niagra Mohawk Power Co.-			
General Mortgage	3-7/8	6-01-88	300,000.00
General Mortgage	4-3/4	4-01-90	200,000.00
Northern Illinois Gas Co.	8.00	7-01-98	1,000,000.00
Northern States Power Co.-			
First Mortgage	4.00	7-01-88	100,000.00
First Mortgage	6-3/4	5-01-98	500,000.00
Northwest Bell	7.00	1-01-09	500,000.00
Northwestern Bell Tel.	6-1/4	1-01-07	500,000.00
Northwestern Bell Tel.	8-1/8	3-15-17	500,000.00
Oklahoma Gas & Electric Co.-			
First Mortgage	3-7/8	6-01-88	200,000.00
First Mortgage	5-1/8	1-01-97	250,000.00
Pacific Gas & Electric Co.-			
First & Ref. Mortgage	4-1/2	6-01-93	200,000.00
First & Ref. Mortgage	4-5/8	6-01-97	150,000.00
First & Ref. Mortgage	5-3/8	6-01-98	250,000.00
Pacific Tel. & Tel.	4-3/8	8-15-88	300,000.00
Debentures	4-5/8	5-01-00	215,000.00

<u>INVESTMENTS OWNED</u>			
<u>DESCRIPTION</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>CARRYING VALUE</u>
Pennsylvania Electric Co.	7-7/8	12-01-01	1,000,000.00
Potomac Electric Power Co.	8-3/8	1-15-09	1,500,000.00
Public Service Co. of Colorado-			
First Mortgage	4-3/8	5-01-87	100,000.00
First Mortgage	4-1/2	10-01-91	200,000.00
Public Service Electric and Gas Co.-			
Debentures	5-3/4	6-01-91	200,000.00
First Ref. Mortgage	4-3/4	9-01-95	250,000.00
First Ref. Mortgage	5-1/8	6-01-89	200,000.00
Southern Bell Tel. & Tel.	8-1/4	4-15-16	2,000,000.00
Southern Bell Tel. & Tel.	8-1/8	5-01-17	1,700,000.00
Southern California Edison Co.-			
Southern California Edison	7-1/4	7-01-84	1,000,000.00
First Mortgage	8-1/8	10-15-94	700,000.00
First Ref. Mortgage	4-3/8	9-01-85	100,000.00
First Ref. Mortgage	5-1/4	5-15-91	250,000.00
First Ref. Mortgage	6-3/8	2-15-93	400,000.00
First Ref. Mortgage	8.00	9-16-96	400,000.00
Southern California Edison			
South Central Bell Tel.	8-1/2	11-01-01	500,000.00
Southern New England Tel.	8-1/8	5-01-08	500,000.00
Southwestern Bell	8-3/4	8-01-07	1,000,000.00
Debentures	6-3/4	6-01-08	250,000.00
Southwest Bell Telephone	8-1/4	9-01-05	750,000.00
Southwest Bell Telephone	6-7/8	2-01-11	500,000.00
Southern Bell Tel. & Tel.	8.00	2-15-14	2,000,000.00
Southwestern Bell Tel.	8-1/4	3-01-14	2,000,000.00
Southwestern Bell Tel.	9-1/4	1-15-15	2,000,000.00
Tampa Electric Co.	4-1/4	7-01-88	150,000.00
Tennessee Valley Authority	8-1/4	10-15-94	500,000.00
Tennessee Valley Authority	7-3/4	7-01-98	1,000,000.00
Tennessee Valley Authority	7.70	10-01-98	3,000,000.00
Utah Power & Light Co.	4-7/8	9-01-90	100,000.00
Virginia Elec. & Power Co.-			
First Ref. Mortgage	3-7/8	6-01-88	200,000.00
First Ref. Mortgage	4-5/8	9-01-90	150,000.00
Virginia Electric	7-3/8	3-01-01	500,000.00
Washington Gas & Light Co.	4-7/8	5-01-86	100,000.00
West Penn Power Co.-			
First Mortgage	4-7/8	12-01-95	275,000.00
West Penn Power	9-5/8	6-01-00	500,000.00
West Texas Utilities	7-1/4	1-01-99	250,000.00
Wisconsin Power & Light Co.	8.00	7-01-01	1,000,000.00
Wisconsin Public Service Corp.	3-1/4	10-01-84	100,000.00
Wisconsin Telephone Co.	7-1/4	5-15-99	500,000.00
TOTAL - PUBLIC UTILITIES			\$64,822,000.00

<u>INVESTMENTS OWNED</u>			
<u>DESCRIPTION</u>	<u>INTEREST</u>	<u>MATURITY</u>	<u>CARRYING VALUE</u>
<u>BANKS</u>			
American Savings & Loan of California	9.50	6-30-85	250,000.00
R. I. Hospital Trust Co.	8.00	8-31-84	3,500,000.00
Citicorp.	8-1/8	7-01-07	500,000.00
J. P. Morgan Co.	8.00	3-15-86	2,000,000.00
Philadelphia National Bank	5-1/2	3-01-92	200,000.00
Columbus National Bank	8.50	2-23-87	300,000.00
Industrial National Bank	8.25	1-01-96	100,000.00
Beneficial Corp.	7.50	11-01-96	500,000.00
Household Finance	12.00	4-15-87	2,000,000.00
Fleet National Bank	10.50	11-01-07	950,000.00
<u>INDUSTRIAL AND MISCELLANEOUS</u>			
American Brands, Inc.	8-1/8	3-01-85	1,000,000.00
American Can Co.-			
Debentures	4-3/4	7-15-90	100,000.00
American Cyanamid Co.	8-3/8	3-15-06	2,500,000.00
Beneficial Finance Co.-			
Debentures	4-3/4	5-15-93	100,000.00
Citicorp.	8.45	2-15-07	500,000.00
Bethlehem Steel Corp.	8.45	3-01-05	600,000.00
Commercial Credit Corp.-			
Debentures	4-7/8	9-15-87	150,000.00
Dow Chemical Co.	7-3/4	7-15-99	500,000.00
Dow Chemical Co.	8-7/8	5-01-00	849,000.00
Dow Chemical Co.	8-1/2	1-15-06	2,500,000.00
Dupont E. I. DeNemours	8-4/5	11-15-04	2,000,000.00
Exxon Corp.	6.50	7-15-90	350,000.00
Exxon Corp.	6.00	11-01-97	1,000,000.00
Ford Motor Credit Co.	9.50	1-15-85	1,000,000.00
General Motors Acceptance Corp.-			
General Motors Acceptance	7.30	7-15-85	500,000.00
General Motors Acceptance	7-1/8	9-01-92	500,000.00
General Motors Acceptance	8-1/8	10-15-96	1,000,000.00
General Motors Acceptance	8-1/4	11-15-06	400,000.00
Gulf Oil Corp.	5.35	6-15-91	250,000.00
Gulf Oil Corp.	8-1/2	11-15-95	500,000.00
Household Finance Corp.	7-1/4	1-01-90	200,000.00
Household Fin.-Debentures	4-7/8	9-15-93	150,000.00
Mobile Oil Co.	8.50	6-15-01	173,200.00
Monsanto Chemical Co.	8-3/4	5-15-08	1,000,000.00
Northwest Bancorporation	5-1/8	10-15-90	250,000.00
Phillips Petroleum Co.	11.25	5-1-13	1,000,000.00
Pittsburg Plate Glass	9.00	6-15-95	500,000.00
Scott Paper Co.	8-7/8	6-01-00	808,000.00
U. S. Steel Holding Co.	12.50	3-1-94	1,772,800.00
TOTAL-BANKS, INDUSTRIAL AND MISCELLANEOUS			32,453,000.00

INVESTMENTS OWNED

	<u>NO. OF SHARES</u>	<u>COST</u>
<u>COMMON STOCKS</u>		
<u>BANKS AND HOLDING COMPANIES</u>		
Bank of America	280,000	5,488,623.98
Citicorp.	20,000	510,995.36
Fleet Financial	86,285	1,109,319.25
J. P. Morgan	90,000	5,157,748.63
Old Stone Bank	10,200	161,491.00
R. I. Hospital Trust National	41,784	606,369.93
First Interstate Bancorp.	30,000	608,071.78
TOTAL - BANKS & HOLDING COMPANIES		<u>\$13,642,619.93</u>
<u>CHEMICALS AND DRUGS</u>		
American Home	185,000	6,447,096.53
Bristol Myers	150,000	3,430,395.70
Dow Chemical Corp.	300,000	8,238,683.36
Johnson and Johnson	175,000	7,469,176.83
Monsanto Co.	130,000	3,806,779.32
Pfizer (Chas.) Co.	250,000	6,376,795.48
Sterling Drug Co.	90,000	1,969,662.84
<u>CONSTRUCTION MATERIAL & EQUIPMENT</u>		
Caterpillar Tractor	165,000	7,754,777.21
Deere Corp.	220,000	6,941,088.47
U. S. Gypsum Co.	80,000	2,974,195.95
<u>ELECTRONICS</u>		
Burroughs Corporation	35,000	1,671,570.40
Emerson Electric Corp.	50,000	1,888,517.76
International Business Machines	140,000	9,910,336.60
NCR Corp.	200,000	2,711,761.58
Raytheon Corp.	160,000	6,860,302.42
Texas Instruments	23,000	2,359,126.70
Union Electric Corp.	80,000	847,325.00
Motorola, Inc.	6,600	2,588,964.55
Wang Laboratories	150,000	4,696,789.63
<u>FOOD</u>		
Beatrice Foods Co.	138,180	2,997,898.93
McDonalds Corp.	125,000	6,310,640.44
Pepsico, Inc.	186,000	6,101,072.47
Hershey Foods Corp.	120,000	3,690,113.69

COMMON STOCKSINVESTMENTS OWNED

	<u>NO. OF SHARES</u>	<u>COST</u>
<u>MISCELLANEOUS</u>		
Boeing Corp.	120,000	3,957,537.51
A. T. Cross Corp.	255,000	5,780,766.08
Foxboro Co.	100,000	2,445,553.21
General Motors Corp.	115,000	6,819,824.10
Halliburton Co.	180,000	6,840,901.48
Schlumberger	165,000	7,188,712.40
Square 'D'	155,000	4,065,603.13
Xerox	60,000	2,705,229.12
Dayton-Hudson	190,000	6,123,333.08
Delta Airlines	95,000	3,307,790.23
Unocal Corp.	100,000	3,566,222.52
<u>PETROLEUM</u>		
Atlantic Richfield Co.	175,180	7,689,744.95
Exxon Corporation	185,000	5,154,660.99
Mobil Oil	160,000	3,190,529.03
Standard Oil of California	170,000	5,486,816.68
Standard Oil of Indiana	100,000	3,258,441.57
<u>PAPER AND PAPER PRODUCTS</u>		
Kimberly Clark Corp.	190,000	5,558,280.13
<u>RETAIL STORES</u>		
Federated Stores	45,000	1,860,936.45
K Mart	80,000	1,928,697.27
<u>PUBLIC UTILITIES</u>		
American Tel. & Tel.	157,623	2,519,248.92
Florida Power and Light	33,000	1,168,637.78
Florida Progress Corp.	114,000	1,996,504.32
Gulf States Utilities	40,000	593,282.47
Bell Atlantic	30,262	1,935,982.84
Bell South	72,786	2,003,995.03
Louisville Gas and Electric	45,000	1,082,576.36
<u>PUBLIC UTILITIES</u>		
Panhandle E. Pipeline	220,000	5,869,791.52
Texas Utilities	63,000	1,378,985.58
TOTAL -- COMMON STOCKS		<u>\$213,521,656.61</u>
<u>PREFERRED STOCKS</u>		
Union Pacific	58,050	6,133,907.85