

Employees' Retirement System

State of Rhode Island and Providence Plantations

Annual Financial Report

for the fiscal year ended June 30, 1994

Honorable Nancy J. Mayer, General Treasurer

Joann E. Flaminio, Executive Director

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

EMPLOYEES' RETIREMENT SYSTEM

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The Honorable Lincoln C. Almond
Governor, State of Rhode Island
and Providence Plantations
State House
Providence, Rhode Island 02903

Dear Governor Almond:

In accordance with Rhode Island General Laws, 36-8-8 and 45-21-34, I respectfully submit the Fifty-eighth Annual Financial Report of the Employees' Retirement System and the Thirty-seventh Annual Financial Report of the Municipal Employees' Retirement System of the State of Rhode Island for transmittal to the General Assembly. Please note that these two reports, which appeared under separate cover previously, have been consolidated into a single report.

The report covers the fiscal year ended June 30, 1994.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Nancy J. Mayer".

Nancy J. Mayer

General Treasurer and Chairperson, Employees' Retirement Board

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"A retirement system is hereby established and placed under the management of the retirement board for the purpose of providing retirement allowances for employees of the state of Rhode Island under the provisions of Chapters 8 to 10, inclusive, of this title. The retirement system so created shall begin operation as of the first day of July, 1936. It shall have the power and privileges of a corporation, and shall be known as the "employees retirement system of the state of Rhode Island," and by that name all of its business shall be transacted, all of its funds, invested, and all of its cash and securities and other property held."

-----Section Two of Chapter 2334 of the Public Laws of 1936

Employees' Retirement Board of Rhode Island

Honorable Nancy J. Mayer, Chairperson, General Treasurer
Marcia Reback, Vice Chairperson, Teacher Representative
Virgil N. Almeida, *Municipal Employee Representative*
Daniel L. Beardsley, *Designee of the R.I. League of Cities and Towns*
Michael R. Boyce, *Public Representative*
Louis Ciaramello, *C.L.U., Public Representative*
William B. Finelli, *Teacher Representative*
James A. Gillis, *State Employee Representative*
Sen. Walter J. Gray, *Senate Finance Chairman Designee*
James F. Mahoney, *House Fiscal Advisor*
Thomas V. Morrissey, *State Employee Representative*
Michael O'Keefe, *State Budget Officer*
Rep. Antonio J. Pires, *House Finance Chairman*
Edna Snow, *Retired Member Representative*
Jerome Williams, *Designee of the Department of Administration*

Employees' Retirement System of Rhode Island Administration

Joann E. Flaminio, *Executive Director*
James M. Reilly, *Assistant Executive Director*
Diane S. Bourne, *Assistant Director-Member Services*
Frank J. Karpinski, *Assistant Director-Finance*

*Employees' Retirement Board
State of Rhode Island*

I am pleased to present to you this Annual Financial Report of the Employees' Retirement System (ERSRI) and Municipal Employees' Retirement System (MERS) of the State of Rhode Island for the fiscal year ended June 30, 1994. This report is intended to provide the Governor, the General Assembly, members and beneficiaries of the system, and members of the general public with financial and actuarial information.

The report is divided into three sections:

- 1.** The introductory section presents the system's organization, summarizes plan benefits, and provides a summary of 1994 retirement legislation;
- 2.** The second section contains the audited financial statements of both the Employees' Retirement System and the Municipal Employees' Retirement System of the State of Rhode Island. *(As a note, at the time of preparation of financial statements, the 1994 actuarial valuation had not yet been completed. Consequently, the notes reflect the 1993 actuarial valuation.)*
- 3.** The third section contains the results of the 1994 actuarial valuation by William M. Mercer, Inc. for both systems.

Membership

As of June 30, 1994, active membership in the Employees' and Municipal Employees' Retirement System totaled 31,632. A total of 16,195 pensioners were receiving benefits from the system.

Accounting Basis

The financial statements have been prepared in accordance with generally accepted accounting principles using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Dividend income is recorded on the ex-dividend date. Interest income is accrued daily. Finally, investments are recorded at cost.

Financial Highlights

The major sources of revenue for ERSRI and MERS are employee contributions, employer contributions, and investment earnings. Total revenues for fiscal year 1994 were \$ 458,191, 194. The expenditures of the fund consist primarily of payments made to members and beneficiaries for retirement, disability, death or survivor benefits. In total, benefits payments for fiscal year 1994 were \$ 242,434,038.

Administrative expenses of the retirement system and the cost of maintaining the retirement system are paid from a restricted receipt account which is used solely to pay such expenses. This account is reimbursed through the transfer of 1.5 % of the investment income from the retirement fund. Any non-encumbered funds at June 30th are transferred back to the retirement fund. Administrative expenses incurred by the system for the year ended June 30, 1994 amounted to \$ 1,987,163.

Funding

The actuary for the retirement system determines the actuarial liabilities utilizing the entry age normal cost method with an initial frozen liability. The total net assets of the Employees' Retirement System on the actuarial balance sheet on June 30, 1994 were \$ 2,965,214,165 while the total net assets of the Municipal Employees' Retirement System were \$ 445,432,702. The ratio of vested assets to liabilities for state employees as of June 30, 1994 was 81.04%, compared to 83.55% as of June 30, 1993. The ratio of vested assets to liabilities for teachers as of June 30, 1994 was 78.34%, compared to 79.32% as of June 30, 1993.

The unfunded liability for Rhode Island state employees as of June 30, 1994 amounted to \$ 466,275,897 while the unfunded liability for Rhode Island public school teachers amounted to \$735,848,004. The municipal employees system had assets in excess of the Pension Benefit Obligation of \$119,414,709.

Investments

ERSRI and MERS assets are invested under the direction and authority of the State Investment Commission (SIC). In addition to the General Treasurer who serves as Chairperson, members of the SIC include the Director of the Department of Administration, the Chairmen of the House and Senate Finance Committees and three members appointed by the Governor. The Executive Director of the retirement system is a non-voting member of the State Investment Commission.

Professional Services

Actuarial Services are provided to the retirement system by William M. Mercer Inc. of Boston. Legal Services to the retirement board are provided by the law firm of Hinckley Allen & Snyder, Providence, Rhode Island, the Office of the Attorney General and other private attorneys who represent the system on individual matters. Barbara Braun Schoenfeld of the General Treasurer's staff serves as counsel to the State Investment Commission.

The system also hires physicians who conduct medical exams of the system's disability applicants. Finally, the Auditor General conducts an annual financial audit of the systems.

Disbursements from the fund, are processed through the centralized controls of the State Controller, under the supervision of the Department of Administration.

Reports to Members

An annual statement of account for the period ending December 31, 1993 was mailed to each active member in April 1994. The statement provides to each member an accounting of the amount of his/her contributions credited to his/her account along with a summary of this financial report.

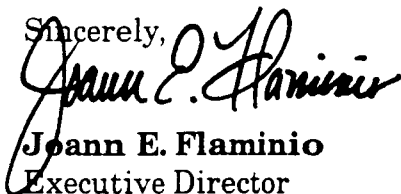
Acknowledgments

The preparation of this report is possible only through the combined efforts of many people. I would like to thank the General Treasurer's Office, members of the State Investment Commission staff, William M. Mercer Inc., the Office of the Auditor General, and the Office of the Controller for their assistance. I would especially like to thank Frank Karpinski of my staff who prepared the financial statements.

I hope the information provided here aides in your understanding of the financial condition of the Employees Retirement System of Rhode Island. I would be most pleased to receive your comments on the issuance of this report.

With best wishes.

Sincerely,

A handwritten signature in black ink, appearing to read "Joann E. Flaminio". The signature is written in a cursive style with a large initial "J".

Joann E. Flaminio
Executive Director

/ejf

Significant 1994 Retirement Legislation

The Rhode Island General Assembly passed several significant pieces of retirement legislation during the 1994 legislative session. Here is a summary of the major legislative enactments:

Public Law 94-139 An Act Relating to Pension Reform--Closing Existing Loopholes in the Public Employees Retirement Law/Signed into law July 6, 1994

Purchases

The new law applies to all teacher, state and municipal members. As of January 1, 1995, no more than 5 years of service credit may be purchased by a member of the system. Purchases made before that time will be included in the 5-year limit. A member who has purchased more than five years before January 1, 1995 will be able to apply those purchases to his retirement, but he will be unable to make additional purchases. Buybacks of withdrawal time are not to be included in the 5 year total.

Leaves of Absence

Any member who is placed on an *official* leave of absence on or after July 6, 1994 must return to active service and be a contributing member for at least one year before they are eligible to purchase service credits for the period of the leave.

Purchase of Deferred Time

The section of the law which allows retiring members to purchase deferred time up until June 30, 1994 has been extended one year to June 30, 1995.

***Public Law 94-142 An Act Relating to the Retirement System--
Membership and Service Credits /Signed into law July 7, 1994***

Post-Retirement Employment

No municipal, teacher, or state retiree may return to employment with the State of Rhode Island unless his or her retirement benefits are suspended. Retirees may be re-employed by a municipality for up to 75 full days or 150 half days as previously held. Retirees may serve as city council or school committee people and on any unpaid state board or commission.

Clerks and Doorkeepers of the General Assembly

Clerks, committee clerks, or doorkeepers of the General Assembly are no longer permitted membership in ERSRI.

Membership

All members of the system must work *at least 20 hours* per week to become members of the system. Teachers who are employed on at least a half-time basis or in a job share program are also eligible for membership.

Definition of Casual Employee

A casual employee is defined as someone who works "for an occasional period to perform special jobs or functions not necessarily related to the work of regular employees."

Composition of Retirement Board

Active municipal, teacher, and state employee members who elect representatives to the retirement board may elect either members of the retirement system or officials from state employees, teacher, or municipal unions.

S-2839 A An Act Relating to Federal Tax Status of the Retirement System --as Required by the 1994 Agreement by and Between the State and the Internal Revenue Service.

The major provisions of the legislation provide that all funds of the retirement system must be held in trust for the exclusive benefit of the participants and

their beneficiaries. Under the exclusive benefit rule, it is illegal to divert any pension funds for any purpose other than the payment of retirement allowances and other benefits provided under statute;

In addition, the legislation provides that benefits shall not be payable if they exceed the Section 415 limitations of the IRS Code. Section 415, among other things, provides that a pension recipient cannot receive a benefit that exceeds 100 percent of the member's final average compensation.

Finally, the legislation provides that by December 31, 1994, the state shall repay to the ERSRI pension fund the amount of \$20,788,812.19 plus accrued interest of eight percent and that by June 30, 1995, the state shall pay to the ERSRI pension fund an amount equal to the sum of pension benefits made to legislative retirees in excess of \$10,000.

***An Act Relating to Public Officers and Employees--Evicting Non-Employee and Non-Teacher Members from the Retirement System/
Became law on July 17, 1994.***

Union Members

This act states that any member of the retirement system who became a member or who purchased credit based upon R.I.G.L. 36-9-33 (passed in 1988, now repealed) which allowed certain union employees membership into the retirement system are no longer entitled to membership and cannot receive any retirement benefits from the retirement system.

***S.3118/An Act Relating to the Rhode Island Airport Corporation /
Signed into law June 30, 1994.***

Rhode Island Airport Corporation

This legislation allows past RIAC employees who were members of the system to remain ERSRI members and provides for the transfer of past contributions (July 1, 1993 through July 1, 1994) to the ERSRI fund. Any RIAC employee hired after July 1, 1993 is not eligible to become an ERSRI member.

Employees' Retirement System Plan Summary

Administration

The Employees' Retirement System and the Municipal Employees' Retirement System are governed by a retirement board. The Board is composed of fifteen members in accordance with Title 36 of the Rhode Island General Laws and is chaired by the General Treasurer. The system is managed by an executive director and assistant executive director who are chosen by the retirement board. The system has twenty-two full-time employees.

Membership

All persons employed by the State of Rhode Island on at least a 20 hour basis are eligible for membership in the Employees' Retirement System of Rhode Island. All persons employed by a participating municipality on at least a 20 hour basis are eligible for membership in the Municipal Employees' Retirement System of Rhode Island. Public school teachers are eligible for membership in the Employees' Retirement System provided they are certified by the Board of Regents, engaged in teaching as a principal occupation and regularly employed on at least a half time basis.

Membership in the Employees' Retirement System is a condition of employment and is required of all employees who meet the Board's eligibility requirements. Judges who were employed after December 31, 1989 participate in the Judicial Retirement Plan while state police who were employed after July 1, 1987 participate in the State Police Retirement Plan. New members of the General Assembly are not eligible for participation in the retirement system as a result of a constitutional amendment to the Rhode Island constitution approved by the voters.

Employee and Employer Contributions

Benefits are financed by employee contributions, employer contributions, and investment earnings. ERSRI members pay a percentage of their salaries to the retirement system. Currently, teacher members contribute 8.50% of their annual salaries while state employees contribute

7.75% of their annual salaries. Municipal employees contribute 6.0% of their salaries and an additional one percent if their community has adopted a cost-of-living provision. Each year, the retirement system's actuary determines the amount of additional monies necessary to fund the benefits of retirees and future retirees of the system. Based on the liability of the system, the actuary determines a percentage of payroll or "employer contribution" that is necessary to fund the established level of benefits. The actuary determines a different employer rate for state employees, public school teachers, and each participating municipality.

Retirement Benefit

The ERSRI retirement benefit is determined by two factors: years of creditable service and final average salary. Public school teachers and state employees receive 1.7% of final average salary for the first ten years of creditable service and 1.9% for the next ten years of creditable service. For years twenty-one through thirty-four, members receive 3% of final average salary and 2% for year thirty-five. Municipal employees receive a flat 2.0% for each year of service. Benefits for members of the General Assembly, state correctional officers, judges, and state police vary according to their plan membership. Members of the General Assembly are not eligible for any credit for service in the General Assembly after 1994. However, those members who were elected to the General Assembly prior to 1994 may elect to continue his/her membership in the plan and receive credit.

Retirement Options

The statutes governing the Employees' Retirement System allow the selection of four different retirement options:

Service Retirement Allowance/Maximum Plan

The Service Retirement Allowance (SRA) is based on creditable service and salary as a public employee. SRA provides the highest monthly benefit, but upon the death of the annuitant, all pension benefits stop.

Option #1/ Joint and Survivor Full

Option #1 provides that upon the retiree's death, the retiree's beneficiary will receive the same lifetime retirement allowance that was received by the member.

Option #2 / Joint and Survivor Half

Option #2 provides that upon the retiree's death, the retiree's beneficiary will receive half of the retirement allowance that was received by the member.

SRA Plus/Social Security Option

SRA Plus uses an estimate of the amount of Social Security a member is expected to receive to increase the amount of retirement allowance prior to age 62. Upon attaining age 62, the amount of the allowance received from ERSRI reverts to a Service Retirement Allowance minus an actuarial adjustment based on the previous increase. Like the SRA, all pension payments cease upon the death of the annuitant.

Cost of Living Increases

All state employee and teacher retirees receive a 3% cost-of-living adjustment added to their monthly benefit check on the third January of their retirement. Each succeeding year, retirees receive an additional 3% compounded COLA. Municipal retirees receive a simple 3% cost-of-living adjustment that begins on the first January of their retirement, but only if such provision has been approved by the participating municipality.

Refunds

Upon termination of active service and after filing a refund application, ERSRI will issue a refund of a member's contributions. A refund will be issued only if the member has officially resigned from employment. Members who return to service after previously withdrawing their contributions may buy back such service time after they have completed a year of membership. Members are not required to purchase previous service.

Disability

Accidental Disability

Any active member who becomes disabled as the result of a work-related injury or hazard is eligible to apply for an accidental disability retirement. The statute governing accidental disability retirement requires that "the member is physically or mentally incapacitated for further services as the result of an injury sustained while in the performance of duty." The disability cannot be the result of "willful negligence or misconduct on the part of the member" and cannot be the result of age or length of service. The disability benefit equals 662/3 of the member's salary at the time of the accident or injury.

Ordinary Disability

Any active member who has at least five years of contributing service and who becomes disabled as the result of a non work-related injury or hazard is eligible to apply for an ordinary disability retirement. The statute governing ordinary disability retirement requires that the member be "physically or mentally incapacitated for the performance of duty." The disability equals what the member would have received had she/he been retired normally. In cases where the member has less than ten years of service, the member receives a benefit equal to that of a member with ten years of service.

Optional Annuity Protection

Those members with at least 10 years of service may provide their beneficiary with additional protection by completing an Optional Annuity Protection form. Should the member die while still in active service, the OAP beneficiary will have the option of receiving either a return of contributions or a monthly annuity. Spouses automatically receive this option of a monthly annuity provided the member had over ten years of service at the time of his/her death and the spouse is the sole beneficiary on file.

Teacher Survivor Benefit Plan

Teachers who do not contribute to Social Security participate in the Teachers' Survivors Benefit Plan. Members of the program are required to

make contributions of 1% of salary up to a salary of \$9,600 per year. After the death of the member, spousal benefits of up to \$700 per month are available at age 60. Additional family and children's benefits are also available.

Death Benefits

All members are entitled to receive a death benefit. Thus, for each year of service that has been rendered by the member, the member's beneficiary will receive a death benefit of \$800 up to a maximum of \$16,000. This amount is reduced 25% every year after retirement, but all beneficiaries will receive a minimum benefit of \$4,000.

Employees Retirement System of Rhode Island
Annual Financial Statement as of June 30, 1994



ERNEST A. ALMONTE, CPA
Auditor General

State of Rhode Island and Providence Plantations

GENERAL ASSEMBLY

Office of the Auditor General

180 NORWOOD AVENUE
CRANSTON, RHODE ISLAND 02905

April 14, 1995

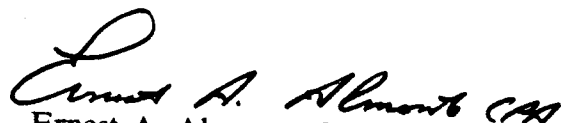
INDEPENDENT AUDITOR'S REPORT

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

We have audited the combining balance sheet and the combining statements of revenues, expenses and changes in fund balance and cash flows of the State of Rhode Island and Providence Plantations Employees' Retirement System (the System) as of and for the year ended June 30, 1994. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 1994, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.


Ernest A. Almonte, CPA
Auditor General

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM**

COMBINING BALANCE SHEET

June 30, 1994

	Employees' Retirement Fund	Postretirement Healthcare Fund	Eliminations	Total
ASSETS				
Cash and cash equivalents (Note 4)	\$ 282,700,882	\$	\$	\$ 282,700,882
Accrued interest and dividends receivable	21,869,520			21,869,520
Investments (Note 4)	2,249,264,866			2,249,264,866
Due from State of Rhode Island (Note 5)	30,811,477	3,792,492		34,603,969
Due from Postretirement Healthcare Fund (Note 6)	1,374,616		(1,374,616)	
Open trades receivable	12,219,944			12,219,944
Contributions receivable	26,124,401			26,124,401
Total assets	\$ 2,624,365,706	\$ 3,792,492	\$ (1,374,616)	\$ 2,626,783,582

LIABILITIES AND FUND BALANCE

Liabilities:				
Cash Overdraft	\$ 2,258,412	\$	\$	\$ 2,258,412
Obligations under reverse repurchase agreements (Note 4)	48,334,353			48,334,353
Accounts and vouchers payable	3,153,887			3,153,887
Due to Employees' Retirement Fund (Note 6)		1,374,616	(1,374,616)	
Advances from State of Rhode Island (Note 1B)		2,417,876		2,417,876
Open trades payable	15,145,963			15,145,963
Total liabilities	68,892,615	3,792,492	(1,374,616)	71,310,491
Fund balance available for benefits	2,555,473,091			2,555,473,091
Total liabilities and fund balance	\$ 2,624,365,706	\$ 3,792,492	\$ (1,374,616)	\$ 2,626,783,582

See notes to financial statements.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM**

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 1994**

	Employees' Retirement Fund	Postretirement Healthcare Fund	Eliminations	Total
Operating revenues:				
Employer contributions	\$ 127,100,362	\$ 2,449,204	\$	\$ 129,549,566
Employee contributions	78,464,081			78,464,081
Income from investments	201,399,494			201,399,494
Interest on contributions	2,708,603			2,708,603
Miscellaneous	165,251			165,251
Total operating revenues	409,837,791	2,449,204		412,286,995
Operating expenses:				
Retirement benefits	206,824,231	2,449,204		209,273,435
Refunds of contributions	4,225,894			4,225,894
Management and professional fees	7,583,478			7,583,478
Interest expense for reverse repurchase agreement	417,181			417,181
Total operating expenses	219,050,784	2,449,204		221,499,988
Operating income	190,787,007			190,787,007
Other financing sources (uses):				
Transfers from other funds	51,466			51,466
Transfers to other funds	(1,840,335)			(1,840,335)
Total other financing uses	(1,788,869)			(1,788,869)
Net increase in fund balance	188,998,138			188,998,138
Fund balance, July 1	2,369,195,106	(2,417,876)		2,366,777,230
Prior period adjustment (Note 11)	(2,720,153)	2,417,876		(302,277)
Fund balance, July 1, restated	2,366,474,953			2,366,474,953
Fund balance, June 30	\$ 2,555,473,091	\$	\$	\$ 2,555,473,091

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
 EMPLOYEES' RETIREMENT SYSTEM
 COMBINING STATEMENT OF CASH FLOWS
 For the Fiscal Year Ended June 30, 1994

	Employees' Retirement Fund	Postretirement Healthcare Fund	Eliminations	Total
Cash flows from operating activities:				
Cash received from employers and employees	\$ 196,954,754	\$ 1,074,588	\$	\$ 198,029,342
Cash payments to suppliers for goods and services	(7,085,785)			(7,085,785)
Cash payments to retirees and survivors	(206,824,231)			(206,824,231)
Cash payments to healthcare insurance carriers		(2,449,204)		(2,449,204)
Interest on contributions	786,285			786,285
Refunds of contributions	(4,225,894)			(4,225,894)
Cash payments to employees for services	(192,243)			(192,243)
Other operating revenue	165,250			165,250
Net cash used for operating activities	(20,421,864)	(1,374,616)		(21,796,480)
Cash flows from noncapital financing activities:				
Operating transfers-in from other funds	51,466	3,792,492	(1,374,616)	2,469,342
Operating transfers-out to other funds	(3,322,656)	(3,807,509)	1,374,616	(5,755,549)
Negative cash balance implicitly financed	2,258,412			2,258,412
Net cash used for noncapital financing activities	(1,012,778)	(15,017)		(1,027,795)
Cash flows from investing activities:				
Purchase of investment securities	(2,205,520,087)			(2,205,520,087)
Proceeds from sale and maturities of investment securities	1,969,443,458			1,969,443,458
Interest and dividends on investments	199,629,797			199,629,797
Proceeds from reverse repurchase agreements	48,334,353			48,334,353
Net cash provided by investing activities	11,887,521			11,887,521
Net increase in cash and cash equivalents	(9,547,121)	(1,389,633)		(10,936,754)
Cash and cash equivalents, July 1, 1993	292,248,003	1,389,633		293,637,636
Cash and cash equivalents, June 30, 1994	\$ 282,700,882	\$	\$	\$ 282,700,882

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
 EMPLOYEES' RETIREMENT SYSTEM
 COMBINING STATEMENT OF CASH FLOWS

For the Fiscal Year Ended June 30, 1994

	Employees' Retirement Fund	Postretirement Healthcare Fund	Eliminations	Total
(continued)				
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 190,787,007	\$	\$	\$ 190,787,007
Adjustments to reconcile operating income to net cash used for operating activities:				
Income from investments	(201,399,494)			(201,399,494)
Change in assets and liabilities:				
Increase in contributions receivable	(6,483,374)			(6,483,374)
Increase in due from other funds	(4,048,633)	(1,374,616)		(5,423,249)
Increase in accounts and vouchers payable	722,630			722,630
Total adjustments	(211,208,871)	(1,374,616)		(212,583,487)
Net cash used for operating activities	\$ (20,421,864)	\$ (1,374,616)	\$	\$ (21,796,480)

See notes to financial statements.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

Note 1. Pension Plans

The State of Rhode Island Employees' Retirement System (the System), is a multiple-employer, cost-sharing, public employee retirement system that acts as a common investment and administrative agent for pension benefits to be provided to State employees who meet eligibility requirements as well as teachers and certain other employees employed by local school districts in Rhode Island. The activities of the Employees' Retirement System are accounted for in the Employees' Retirement Fund and the Postretirement Healthcare Fund. The financial statements of the System are included as a discretely presented proprietary component unit in the State of Rhode Island Comprehensive Annual Financial Report.

A. Pension Plan Description

The plan covers most State employees other than certain personnel at the State colleges and university (principally faculty and administrative personnel). Legislators and elected officials may become members on an optional basis. Membership in the plan is compulsory for teachers, including superintendents, principals, school nurses, and certain other school officials in the public schools in the cities and towns. Rhode Island Airport Corporation (RIAC) employees hired before July 1, 1993, are also covered and have the same benefits as State employees. The State police and judges have separate plans which are not included in the Employees' Retirement System.

The State's payroll for its employees that were covered by the plan for the year ended June 30, 1994, was approximately \$431.3 million and the total payroll, including overtime pay not subject to pension contributions, for all State employees was approximately \$639 million. The payroll for teachers and other local school employees covered by the plan for the year ended June 30, 1994, was \$508.5 million. RIAC's payroll for employees covered by the plan was \$2.8 million.

The plan provides unreduced benefits of 1.7% of earnings for each of the first ten years of service; 1.9% for each of the next ten years; 3.0% per year for each of the next fourteen years; and 2.0% for the 35th year. The maximum benefit is 80% of final average earnings after 35 years of service. Such benefits are available to members at least age 60 with 10 years of service, or after 28 years at any age. A different benefit formula applies to State correctional officers who may retire at age 50 if they have 20 years of service. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

The plan also provides benefits to legislators of \$600 for every year served up to a total of \$12,000. If a legislator is entitled under Rhode Island General Laws, Section 36-10-10.1(a) to an annual retirement allowance which is in excess of the amount permitted by Internal Revenue Service code 415(b)(4) of \$10,000, that amount shall be paid out of the General Fund but only to the extent that the amounts have been appropriated. Such benefits are available to legislators 55 and over with at least 8 years of service, or at any age with 20 or more years of service.

After the third anniversary of retirement, "cost-of-living increases" amounting to 3% compounded annually are provided, independent of actual changes in the consumer price index. The plan also provides non-service-connected disability benefits after five years of service; service-connected disability pensions with no minimum service requirement; vested benefits after ten years of service; survivor's benefits for service-connected death; and certain lump sum death benefits.

Rhode Island General Laws, Sections 16-16-22 and 36-10-1 require that members contribute a fixed percentage of their earnings to the System. For the year ended June 30, 1994, this percentage was 7.75% for State employees, 8.5% for teachers and other covered school employees and 30% for legislators. The contributions required by the State and various local school districts that participate in the plan are set forth in Rhode Island General Laws, Sections 16-16-22 and 36-10-2. Contribution rates are determined by an actuary in accordance with policies outlined in the General Laws.

Membership in the plan, as of the most recent actuarial valuation date, June 30, 1993, is as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	16,835
Active employees (including 14,707 fully vested and 2,314 eligible to retire)	<u>26,170</u>
Total	<u>43,005</u>

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM
Notes to Financial Statements**

B. Postretirement Healthcare Plan Description

In accordance with the General Laws, postretirement healthcare benefits are also provided to all members of the Employees' Retirement System who retire on or after July 1, 1989. The benefits in general cover medical and hospitalization costs for pre-Medicare retirees and a Medicare supplement for Medicare-eligible retirees. The State is required to pay a portion of the monthly premium. This payment varies with years of service and ranges from 50% for retirees with 10-15 years of service to 100% for retirees with 35 years of service.

During fiscal year 1994, the State was required by law to contribute 0.25% of the active member State employees' payroll (exclusive of overtime) to the Postretirement Healthcare Fund. Effective June 26, 1994, the State began contributing at a rate of 1% of covered payroll. The pensioners' share of healthcare insurance costs are collected in an agency fund and are not part of the Employees' Retirement System.

If the cost of this benefit exceeds plan contributions, the State is required to advance the necessary funds to the System. The advances will be repaid to the State from any subsequent excess funds contributed based on future actuarial valuations. As of June 30, 1994, the State advanced \$2,417,876 to the Postretirement Healthcare Fund.

Enrollment in the postretirement healthcare plan, as of June 30, 1994, is as follows:

Pre- age 65	728
Age 65 and older	<u>1,182</u>
	1,910

Note 2. Summary of Significant Accounting Policies

These financial statements were prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

- (a) Basis of Accounting - The financial statements of the Employees' Retirement System (the System) are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Dividend income is recorded on the ex-dividend date. Interest income is accrued daily.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM
Notes to Financial Statements

- (b) **Method Used to Value Investments** - Investments are recorded in the financial statements at cost. The cost of investments sold is determined using the average cost method. Investment transactions are recorded on the date the investments are traded. Most assets of the Employees' Retirement System are held by the custodian bank (State Street Bank). On July 1, 1992, the State Investment Commission pooled the assets of the State Employees' Retirement System with the assets of the Municipal Employees' Retirement System for investment purposes only, and assigned units to the Systems based on their respective share of market value. The units now are a function of contributions to or withdrawals from components comprising the pool.
- (c) **Security Loans** - The State Investment Commission has authorized the securities custodian and transfer agent, State Street Bank and Trust Company (SSB), to also act as its agent for the purpose of lending certain securities of the Employees' Retirement Fund (the Fund) to borrowers selected by SSB. The loans are collateralized at all times by cash, securities issued or guaranteed by the United States government or its agencies, or certain irrevocable letters of credit, with a market value at least equal to the market value of the securities loaned. As with other extensions of credit, the Fund may bear the risk of delay in recovery or even loss of rights in the collateral should the borrower of the securities fail financially. The Fund receives compensation for lending its securities in the form of fees or from a portion of the income from the investment of the collateral. The Fund also continues to earn income on the securities loaned. At June 30, 1994, the Fund loaned securities having an estimated value of \$594 million.

Because the collateral received in the securities lending program is not traded or sold, such collateral is not considered an asset, and a corresponding liability is not required on the balance sheet.

- (d) **Change in Presentation** - The Postretirement Healthcare Fund is presented as a separate fund in the financial statements for fiscal 1994. In prior years, the activities of the fund were reported within the Employees' Retirement Fund.
- (e) **Eliminations Column** - Entries were made to eliminate interfund transfers.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM
Notes to Financial Statements

Note 3. Administration of the System

The System is administered by the State of Rhode Island Retirement Board which consists of 15 members: the general treasurer; the director of administration or his or her designee; the budget officer or his or her designee; the fiscal advisor to the house finance committee or his or her designee; the president of the league of cities and towns or his or her designee; two (2) active State employee members of the retirement system to be elected by active State employees; two (2) active teacher members of the retirement system to be elected by active teachers; one active municipal employee member of the retirement system to be elected by active municipal employees; one retired member of the retirement system to be elected by retired members of the System; the chairperson of the house finance committee or his or her designee; the chairperson of the senate finance committee or his or her designee; and two (2) public representatives, one of whom shall be a C.L.U. competent in the area of pension benefits, to be appointed by the governor and whose terms shall be for four (4) years, or until their successors are appointed.

The State Investment Commission oversees all investments made by the State of Rhode Island, including those for the System. Certain investments are made by investment managers engaged by the Commission at their discretion in accordance with the investment objectives and guidelines for the System. Short-term investments are made on a daily basis by the General Treasurer. Rhode Island General Laws, Section 35-10-11 (b)(3) requires that all investments shall be made in securities as would be acquired by prudent persons of discretion and intelligence who are seeking a reasonable income and the preservation of capital.

Note 4. Cash Deposits and Investments

Cash Deposits

At June 30, 1994, the carrying amount of the Employees' Retirement Fund cash deposits was \$1,776,480 and the bank balance was \$2,406,400. The bank balance represents deposits in the Fund's short-term Trust Account (Citizens Bank and Trust) of \$629,920 which are covered by federal depository insurance and \$1,776,480 at the Fund's custodian bank (State Street Bank and Trust). The balance with the custodian consists of uncollateralized deposits in foreign banks of \$2,182,814 (which are not covered by United States federal depository insurance) and a negative bank balance of \$406,334 in a domestic bank account. The negative balance in the domestic bank account was due to timing differences in the purchase and sale of securities.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM
Notes to Financial Statements**

In accordance with Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State and its agencies or governmental subdivisions shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the deposits were required to be collateralized at June 30, 1994.

Investments

The Employees' Retirement Fund's (the Fund) investments are pooled with other funds (see Note 2). The Fund's share of pooled investments are categorized in the following table to give an indication of the level of risk assumed by the entity at June 30, 1994.

- Category 1 includes cash equivalents and investments that are insured or registered or for which the securities are held by the Fund or its agent in the Fund's name.
- Category 2 includes uninsured and unregistered cash equivalents and investments for which the securities are held by the financial institution's, broker's or dealer's trust department or agent in the Fund's name.
- Category 3 includes uninsured and unregistered cash equivalents and investments for which the securities are held by the financial institution, broker or dealer; or investments held by the financial institution's, broker's or dealer's trust department or agent but not in the Fund's name.

The estimated market values of real estate and venture capital investments at June 30, 1994, involve subjective judgment. The actual market value of real estate can be determined only by negotiation between the parties in a sales transaction, and venture capital market value can only be determined when there is an arms-length event such as when an entity goes public or when there is a negotiation between the parties in a sales transaction.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

	Category			Carrying Amount	Market Value at June 30, 1994
	1	2	3		
U.S. Government and Agency Securities	\$ 866,353,348			\$ 866,353,348	\$ 895,667,907
Repurchase Agreements	2,400,267			2,400,267	2,400,267
Corporate Bonds and Notes	155,305,428			155,305,428	153,428,177
Foreign Bonds	893,965			893,965	1,120,692
Equity Securities	832,662,127			832,662,127	1,203,530,280
Foreign Securities	<u>207,203,249</u>			<u>207,203,249</u>	<u>212,628,322</u>
	<u>\$2,064,818,384</u>			2,064,818,384	2,468,775,645
Money Market Funds				278,524,135	278,524,135
Underlying Securities for Reverse Repurchase Agreements				48,346,203	48,026,998
Real Estate and Venture Capital Limited Partnerships				<u>138,500,546</u>	<u>120,308,112</u>
Total				2,530,189,268	2,915,634,890
Less amount classified as cash equivalents				<u>280,924,402</u>	<u>280,924,402</u>
				<u>\$2,249,264,866</u>	<u>\$2,634,710,488</u>

Reverse Repurchase Agreements

The Fund entered into reverse repurchase agreements during the fiscal year. A reverse repurchase agreement is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The cash received on reverse repurchase agreements normally exceeds the market value of securities underlying the reverse repurchase agreements, which provides the Fund with protection against an increase in the market value of securities. If the dealers default on their obligations to resell these securities to the Fund or provide securities or cash of equal value, the Fund would suffer an economic loss equal to the difference between the market value of the underlying securities (plus accrued interest) and the reverse repurchase agreement obligation (plus accrued interest). At June 30, 1994, the aggregate amount of reverse repurchase agreement obligations, including accrued interest, was \$48,334,353, and the aggregate market value of the underlying securities, including accrued interest, was \$48,098,135.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

Commitments

Under agreements with certain investment portfolio managers, the Fund is committed to provide additional contributions for investment. At June 30, 1994, approximately \$ 141.8 million of unfulfilled commitments remained outstanding.

Note 5. Due From State of Rhode Island

During fiscal year 1991, based on supplemental budget legislation, the State of Rhode Island (the State) withdrew \$20,788,812 from the Employees' Retirement Fund (the Fund). The Internal Revenue Service (IRS) has determined that this action was in violation of Section 401(a) of the Internal Revenue Code (the Code). On February 4, 1994, the District Director of the IRS approved an agreement between the State and the IRS whereby the State agreed to repay to the Fund by no later than December 31, 1994, \$20,788,812 plus accrued interest at eight percent (8%) compounded monthly retroactive to March 1, 1991. These amounts are to be reduced by the amounts already repaid to the Fund. The contributions due from the State on the Fund's balance sheet as of June 30, 1994, include \$20,166,756 of outstanding repayments and \$1,459,463 of related interest due as of that date. As of December 31, 1994, the State repaid the amount withdrawn plus interest to the Fund.

Federal legislation did not pass by December 31, 1994, to exempt governmental plans from the higher 3-year average compensation limitation in Section 415 of the Code. As a result, the State has agreed to pay to the Fund by June 30, 1995, an amount equal to the sum of the benefits paid to legislators under the plan in excess of \$10,000 (plus interest on such amount at 8 percent) for the fiscal years beginning on or after July 1, 1991, and to amend the State's general laws to comply with Section 415 of the Code. Failure to comply could affect the Fund's tax-exempt status. A receivable for \$1,825,754 was recognized in the Fund's fiscal year 1994 financial statements.

Legislation to comply with the IRS requirements was signed by the Governor on June 28, 1994.

The remaining balance of \$7,359,504 relates to the State's share of retirement contributions for teachers due on June 30, 1994.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

Note 6. Due From/To Other Funds

As of June 30, 1994, the cumulative cost of the postretirement healthcare benefits, as recorded, exceeded the cumulative contributions by \$1,374,616. The excess costs were temporarily funded by the Employees' Retirement Fund. To meet its statutory obligations, the State on July 25, 1994, reimbursed the Postretirement Healthcare Fund \$1,500,000, of which \$1,374,616 is due to the Employees' Retirement Fund.

Note 7. Administrative Expenses

Expenses of the Retirement Board and the cost of maintaining the Retirement System are paid from a restricted receipt account within the State's General Fund that is used solely to pay such expenses. This account is reimbursed through the transfer of 1.5% of the investment income from the System up to a defined limit. Any non-encumbered funds at June 30 are transferred back to the System. Administrative expenses incurred by the System for the year ended June 30, 1994, amounted to \$1,773,742 and are included as transfers to other funds.

Note 8. Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits (adjusted for the effects of projected salary increases and step-rate benefits) estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Employees' Retirement Fund on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the System.

The pension benefit obligation was computed as part of the actuarial valuation performed as of June 30, 1993. Significant actuarial assumptions used in that valuation included (a) an annual rate of return on Fund investments of 8% compounded annually; (b) projected annual salary increases of 4.5%, compounded annually; (c) mortality rates based on the 1971 group annuity mortality table; (d) cost-of-living increases in pension benefits of 3% compounded annually beginning three years after retirement; and (e) a retirement age of 62½ for State employees and 61 for teachers, or upon completion of service requirement, if later.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

The total unfunded pension benefit obligation (expressed in thousands) at June 30, 1993, is summarized below:

	<u>State Employees</u>	<u>Teachers</u>	<u>Total</u>
Pension benefit obligation:			
Retirees and beneficiaries receiving benefits and terminated employees not yet receiving benefits	\$ 919,941	\$ 1,074,359	\$ 1,994,300
Current employees			
Accumulated employee contributions	232,564	331,476	564,040
Employer-financed vested	268,682	535,617	804,299
Employer-financed nonvested	<u>165,353</u>	<u>273,367</u>	<u>438,720</u>
Total pension benefit obligation	1,586,540	2,214,819	3,801,359
Net assets at June 30, 1993 available for benefits at carrying value (market value is \$2,894,784)	<u>998,652</u>	<u>1,367,823</u>	<u>2,366,475</u>
Unfunded pension benefit obligation	<u>\$ 587,888</u>	<u>\$ 846,996</u>	<u>\$ 1,434,884</u>

Note 9. Actuarially Determined Contribution Requirements and Contributions Made

The funding policy, as set forth in Rhode Island General Laws, Section 36-10-2, provides for actuarially determined periodic contributions to the System. Employer contributions to the System include: (1) normal cost; (2) a payment required to amortize the unfunded frozen actuarial liability over twenty-seven years, beginning as of July 1, 1989, calculated such that each year's total unfunded liability payment increases at the assumed rate of inflation over the prior year's total payment; provided any subsequent changes to the unfunded liability due to changes to benefits or actuarial assumptions are amortized over a new 30-year period or over the remaining initial amortization period depending on how large the total change to the unfunded liability for each fiscal year is relative to the existing unfunded liability; and (3) interest on the unfunded frozen actuarial liability. The normal cost is determined using the entry age normal cost method with frozen initial liability. The significant actuarial assumptions used to determine the actuarial valuation are described in Note 8. The actuarial value of assets was changed from book value to market value as of June 30, 1992, which is the actuarial valuation date used to determine the fiscal 1994 State contribution rate. The actuary will spread the gains resulting from the change of asset value from book to market over three years.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

The actuarially determined rate for the State's fiscal 1994 contribution was 11.32% for its employees, 6.76% for teachers in communities with early retirement incentives and 6.06% for other teachers. The State's contribution for its employees was \$48,660,832 or 11.32% of covered payroll, which consisted of \$47,586,243 (or 11.07%) to the Retirement System and \$1,074,589 (or 0.25%) for postretirement healthcare benefits. The actuarially determined rate of 11.32%, however, was not inclusive of the 0.25%. The State contributed \$26,980,115 for teachers.

Note 10. Historical Trend Information

Historical trend information, designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits when due and required by the Governmental Accounting Standards Board (GASB) Statement Number 5 to be presented as additional information in the annual financial statements, has been presented for all years for which it is available. This information can be found in the Required Supplementary Information section of this report.

Note 11. Prior Period Adjustments

Adjustments of \$107,705 were made to prior year receipts that were recorded in the Employees' Retirement Fund that belonged to the State Police and Judicial Retirement Programs. The separation of the State Police and Judicial programs was completed in fiscal 1994, and as a result, the appropriate funds were transferred to separate funds established for the two programs which are not a part of the system.

Other adjustments of \$262,377 were made to both current income and the fund balance to account for a return of capital from the Venture Capital portfolio. This transaction occurred in fiscal year 1991 but was not recorded until fiscal year 1994.

A final adjustment of \$2,350,071 was made to adjust prior year investment income and cash balance to correct an error in recording the sale of EquiCredit Corporation (see Note 12(c) for information on EquiCredit Corporation).

Adjustments of \$2,417,876 were made to the Postretirement Healthcare Fund to recognize prior year revenue as employer contributions.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

Note 12. Related Party Transactions

- (a) On behalf of the Employees' Retirement Fund, the State Investment Commission (SIC) purchased from the Rhode Island Depositors Economic Protection Corporation (DEPCO) preferred stock and the warrants to purchase common stock of Northeast Federal Corporation for \$20 million in fiscal year 1992. The SIC had the right to require DEPCO to repurchase the preferred stock and warrants, but the right could not be exercised until (i) both of DEPCO's Series A senior secured bonds and Series B subordinated unsecured bonds were repaid in full or (ii) June 30, 1996. DEPCO is included as a discretely presented proprietary component unit in the State of Rhode Island Comprehensive Annual Financial Report.

In September 1993, DEPCO repurchased the preferred stock and warrants from the Employees' Retirement Fund for \$23,801,735. The Fund recognized a gain of \$3,801,735 on the sale.

- (b) As of June 30, 1994, the Employees' Retirement Fund invested in bonds issued by the R.I. Housing and Mortgage Finance Corporation totaling \$8,170,000 and the R.I. Industrial Facilities Corporation totaling \$23,000,000. These entities are included as discretely presented proprietary component units in the State of Rhode Island Comprehensive Annual Financial Report.
- (c) As of June 30, 1994, the Employees' Retirement Fund owned 8.21% of the common stock of EquiCredit Corporation which had as its wholly owned operating subsidiary, Old Stone Credit Corporation (OSCC). The Fund, through the State Investment Commission, entered into a securities lending agreement with OSCC, whereby the State Investment Commission agreed to lend OSCC up to \$14 million face value of United States Treasury securities owned by the Fund. Upon receipt of the securities, OSCC pledged the securities to secure a line of credit up to \$14 million.

OSCC pledged as collateral to the Fund all of its rights, title, and interest in the common stock of OS Securities Corporation (a real estate mortgage investment conduit) and a security interest in all third-party notes and third-party mortgages. As with other extensions of credit, the Fund bore the risk of delay in recovery or even loss of rights in the collateral should OSCC fail financially.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
EMPLOYEES' RETIREMENT SYSTEM
Notes to Financial Statements**

OSCC was also required to pay the Fund an annual fee of \$70,000 in advance, plus 0.5% of the value of loaned United States securities in excess of the maximum authorized amount during the preceding year. In addition, OSCC was required to reimburse the Fund for all of its expenses related to the securities lending agreement.

The securities lending agreement was terminated on January 27, 1995, and the Fund's securities were returned to it.

As of January 27, 1995, Barnett Banks, Incorporated purchased the remaining 8.21% of the common stock of EquiCredit Corporation.

Note 13. Contingency

Pursuant to Rhode Island General Laws, Section 36-9.1-2 relating to the status of non-Employee and non-Teacher members, any individual who became a member of the Employees' Retirement System based solely on Rhode Island General Laws, Section 36-9-33 (repealed) would no longer be entitled to receive any benefits of any type from the Employees' Retirement System. Consequently, by January 1, 1995, the Employees' Retirement System is required by law to return any contributions or purchases net of benefits earned with 8% interest for the applicable time periods during which contributions or purchases were made. This amounted to \$1,053,310. Currently, litigation between the Employees' Retirement System and the evicted members is still active.



ERNEST A. ALMONTE, CPA
Auditor General

State of Rhode Island and Providence Plantations

GENERAL ASSEMBLY

Office of the Auditor General

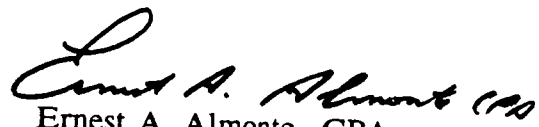
180 NORWOOD AVENUE
CRANSTON, RHODE ISLAND 02905

April 14, 1995

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

The Analysis of Funding Progress and the Schedule of Revenues by Source and Expenses by Type appearing on the following pages are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


Ernest A. Almonte, CPA
Auditor General

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
 EMPLOYEES' RETIREMENT SYSTEM
 REQUIRED SUPPLEMENTARY INFORMATION
 ANALYSIS OF FUNDING PROGRESS

(Expressed in Thousands)

Fiscal Year	(1) Net Assets Available for Benefits *	(2) Pension Benefit Obligation	(3) Percentage Funded (1) / (2)	(4) Unfunded Pension Benefit Obligation (2) - (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) / (5)
1987	\$ 1,196,304	\$ 2,327,225	51.4%	\$ 1,130,921	\$ 624,927	181.0%
1988	1,392,277	2,569,166	54.2%	1,176,889	738,696	159.3%
1989	1,710,607	2,728,467	62.7%	1,017,860	729,859	139.5%
1990	1,896,653	3,022,835	62.7%	1,126,182	819,329	137.5%
1991	1,975,462	3,311,190	59.7%	1,335,728	824,000	162.1%
1992	2,185,752	3,576,893	61.1%	1,391,141	816,000	170.5%
1993	2,366,475 (1)	3,801,359	62.3%	1,434,884	884,000	162.3%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Retirement Fund's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Fund is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Fund. Trends in the unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Fund's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Fund. Historical trend information has been presented for all years for which it is available. The pension benefit obligation was not computed for years prior to 1987. Data for subsequent years will be added to the schedule.

* At cost
 (1) Adjusted for prior period adjustments posted in fiscal 1994

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
REVENUES BY SOURCE AND EXPENSES BY TYPE

(Expressed in Thousands)

Revenues by Source					
Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Other Income	Total
1985	\$ 38,409	\$ 93,269	\$ 69,894	\$ 312	\$ 201,884
1986	46,364	103,521	95,464	394	245,743
1987	52,133	98,940	105,976	563	257,612
1988	62,058	101,038	141,769	1,474	306,339
1989	69,381	135,140	223,375	893	428,789
1990	64,964	115,011	151,328	767	332,070
1991	69,796	61,701	140,758	751	273,006
1992	70,711	70,637	271,201	1,089	413,638
1993	74,441	133,140	192,902	2,563	403,046
1994	78,464	127,100	201,399	2,875	409,838

Expenses by Type					
Fiscal Year	Benefits	Operating Expenses	Refunds	Other Expenses	Total
1985	\$ 68,358		\$ 4,370	\$ 126	\$ 72,854
1986	75,043		3,915	20	78,978
1987	93,565		4,183	2	97,750
1988	104,848	560	3,981		109,389
1989	113,840	1,318	4,377	2	119,537
1990	136,495	4,148	3,844		144,487
1991	185,637	3,249	4,377		193,263
1992	191,806	5,674	4,874		202,354
1993	199,962	4,765	3,904		208,631
1994	206,824	7,584	4,226	417	219,051

Data for 1985 through 1988 is reported on the cash basis; data for 1989 through 1994 is reported on the accrual basis.

GENERAL ASSEMBLY

Office of the Auditor General

180 NORWOOD AVENUE
CRANSTON, RHODE ISLAND 02905

April 14, 1995

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH LAWS AND REGULATIONS

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

We have audited the financial statements of the State of Rhode Island and Providence Plantations Employees' Retirement System (the System) as of and for the year ended June 30, 1994, and have issued our report thereon dated April 14, 1995.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the System is the responsibility of the System's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of management's compliance with certain provisions of laws and regulations. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

Material instances of noncompliance consist of failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of our tests of compliance disclosed the following instances of noncompliance that may be material to the financial statements but for which the ultimate resolution cannot presently be determined. Accordingly, no provision for any liability that may result has been recognized in the 1994 financial statements.

April 14, 1995

As discussed in Note 5 to the financial statements, federal legislation did not pass on December 31, 1994 to exempt governmental plans from the higher 3-year average compensation limitation in Section 415 of the IRS Code; therefore, the State agreed to (a) pay to the System by June 30, 1995 an amount equal to the sum of the benefits paid to legislators under the Plan in excess of \$10,000 (plus interest on such amount at 8 percent) for the fiscal years beginning on or after July 1, 1991, and (b) amend the State's General Laws to comply with Section 415 of the Code. Failure to comply could affect the System's tax-exempt status. The State passed legislation on June 28, 1994 to comply with the Internal Revenue Service requirements.

As discussed in Note 6 to the financial statements, the postretirement healthcare benefits exceeded the cumulative contributions by \$1,374,616. The shortfall in the healthcare fund was inadvertently funded from the Employees' Retirement Fund, which is in violation of the IRS anti-diversion provision. On July 25, 1994, the State reimbursed the Postretirement Healthcare Fund \$1,500,000, of which \$1,374,616 is due to the Employees' Retirement Fund.

We considered these instances of noncompliance in forming our opinion on whether the System's fiscal year 1994 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this compliance report does not affect our audit report dated April 14, 1995 on those financial statements.

Except as described above, the results of our tests indicate that, with respect to the items tested, the System complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the System had not complied, in all material respects, with those provisions.

This report is intended for the information of the Joint Committee on Legislative Services, the General Treasurer, and members of the Retirement Board. However, this report is a matter of public record and its distribution is not limited.



Ernest A. Almonte, CPA
Auditor General



ERNEST A. ALMONTE, CPA
Auditor General

GENERAL ASSEMBLY

Office of the Auditor General

180 NORWOOD AVENUE
CRANSTON, RHODE ISLAND 02905

April 14, 1995

INDEPENDENT AUDITOR'S REPORT ON THE
INTERNAL CONTROL STRUCTURE

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

We have audited the financial statements of the State of Rhode Island and Providence Plantations Employees' Retirement System (the System) as of and for the year ended June 30, 1994, and have issued our report thereon dated April 14, 1995.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the System for the year ended June 30, 1994, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the System is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Operating revenues - employer and employee contributions, and net investment income
- Operating expenses - retirement benefits
- Administration of compliance with State laws pertaining to the retirement system and the investment of assets held by the System

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the System, in a separate letter dated April 14, 1995.

Joint Committee on Legislative Services

Page 3

April 14, 1995

This report is intended for the information of the Joint Committee on Legislative Services, the General Treasurer, and members of the Retirement Board. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Ernest A. Almonte CPA". The signature is written in black ink and is positioned above the printed name.

Ernest A. Almonte, CPA

Auditor General

Municipal Employees' Retirement System

Annual Financial Statement as of June 30, 1994



ERNEST A. ALMONTE, CPA
Auditor General

State of Rhode Island and Providence Plantations

GENERAL ASSEMBLY

Office of the Auditor General

180 NORWOOD AVENUE
CRANSTON, RHODE ISLAND 02905

April 14, 1995

INDEPENDENT AUDITOR'S REPORT

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

We have audited the accompanying financial statements of the State of Rhode Island and Providence Plantations Municipal Employees' Retirement System (the System) as of and for the year ended June 30, 1994. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 1994, and the results of its operations and cash flows for the year then ended in conformity with generally accepted accounting principles.

Ernest A. Almonte, CPA
Auditor General

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

BALANCE SHEET

June 30, 1994

ASSETS

Cash and cash equivalents (Note 4)	\$ 42,766,509
Accrued interest and dividends receivable	3,100,692
Investments (Note 4)	324,239,541
Open trades receivable	1,827,281
Contributions receivable	<u>2,527,420</u>
Total assets	<u>\$ 374,461,443</u>

LIABILITIES AND FUND BALANCE

Liabilities:	
Obligations under reverse repurchase agreements (Note 4)	\$ 6,812,522
Accounts and vouchers payable	476,596
Open trades payable	<u>2,131,576</u>
Total liabilities	9,420,694
Fund balance available for benefits	<u>365,040,749</u>
Total liabilities and fund balance	<u>\$ 374,461,443</u>

See notes to financial statements.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND BALANCE

For the Fiscal Year Ended June 30, 1994

Operating revenues:	
Employer contributions	\$ 4,694,650
Employee contributions	9,676,465
Income from investments	31,344,106
Interest on contributions	188,391
Miscellaneous	<u>587</u>
Total operating revenues	<u>45,904,199</u>
Operating expenses:	
Retirement benefits	19,053,495
Refunds of contributions	717,908
Management and professional fees	1,103,847
Interest expense for reverse repurchase agreements	<u>58,800</u>
Total operating expenses	<u>20,934,050</u>
Operating income	<u>24,970,149</u>
Other financing sources (uses):	
Transfers from other funds	66,593
Transfers to other funds	<u>(264,886)</u>
Total other financing uses	<u>(198,293)</u>
Net increase in fund balance	<u>24,771,856</u>
Fund balance, July 1	340,299,579
Prior period adjustment (Note 9)	<u>(30,686)</u>
Fund balance, July 1, restated	<u>340,268,893</u>
Fund balance, June 30	<u>\$ 365,040,749</u>

See notes to financial statements.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF CASH FLOWS**

For the Fiscal Year Ended June 30, 1994

Cash flows for operating activities:

Cash received from employers and employees	\$ 14,499,332
Cash payments to suppliers for goods and services	(1,049,116)
Cash payments to retirees and survivors	(19,053,495)
Interest on contributions	156,017
Refunds of contributions	(717,908)
Cash payments to employees for services	(44,122)
Other operating revenue	<u>587</u>

Net cash used for operating activities (6,208,705)

Cash flows from noncapital financing activities:

Operating transfers-in from other funds	66,593
Operating transfers-out to other funds	<u>(264,886)</u>

Net cash used for noncapital financing activities (198,293)

Cash flows from investing activities:

Purchase of investment securities	(308,390,293)
Proceeds from sale and maturities of investment securities	273,682,014
Interest and dividends on investments	31,591,303
Proceeds from reverse repurchase agreements	<u>6,812,522</u>

Net cash provided by investing activities 3,695,546

Net decrease in cash and cash equivalents (2,711,452)

Cash and cash equivalents, July 1, 1993 45,477,961

Cash and cash equivalents, June 30, 1994 \$ 42,766,509

Reconciliation of operating income to net cash provided by operating activities:

Operating income 24,970,149

Adjustments to reconcile operating income to net cash provided by (used for) operating activities:

Income from investments (31,344,106)

Change in assets and liabilities: 95,843

Decrease in contributions receivable 69,409

Increase in accounts and vouchers payable (31,178,854)

Total adjustments \$ (6,208,705)

Net cash used for operating activities \$ (6,208,705)

See notes to financial statements.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
Notes to Financial Statements**

Note 1. Plan Description

The State of Rhode Island (the State), through the Retirement Board, administers the Municipal Employees' Retirement System (the System), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for pension benefits to be provided to employees of municipalities, housing authorities, water and sewer districts, and municipal police and firemen that have elected to participate. The activities of the System are accounted for in the Municipal Employees' Retirement Fund (the Fund). The financial statements of the Fund are included as a discretely presented proprietary component unit in the State of Rhode Island Comprehensive Annual Financial Report.

The plan generally provides retirement benefits equal to 2% of a member's final average salary multiplied by the number of years of total service up to a maximum of 75%. Such benefits are available to members at least age 58 with 10 years of service or after 30 years of service at any age. Police and fire personnel may retire at age 55 if they have 10 years of service or after 25 years of service at any age. An optional cost-of-living provision may be elected for police and fire personnel and general employees. An option may be elected to provide a 20-year service pension with a benefit equal to 2.5% for each year of service for police and fire personnel. Benefits are based on the average of the highest three consecutive years' earnings, exclusive of overtime.

The plan also provides non-service-connected disability benefits after 5 years of service; service-connected disability pensions with no minimum service requirement; vested benefits after 10 years of service; survivor's benefits; and certain lump sum death benefits.

Rhode Island General Laws, Section 45-21-41 requires that members contribute a fixed percentage of their earnings to the Fund. For the year ended June 30, 1994, this percentage was 6% for general employees and 7% for police and fire personnel. For groups that elect the optional cost-of-living provision, or for police and fire personnel electing the 20 year service pension, the employee contribution rate is increased by 1%. Rhode Island General Laws, Section 45-21-42 contains the contribution requirements for participating employers. The rates are actuarially determined and vary by participating employer. The State does not make contributions to the System and assumes no liability for funding pension benefits to members.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
Notes to Financial Statements**

Eighty-seven municipalities and agencies participate in the System. Membership in the System, as of the most recent actuarial valuation date, June 30, 1993, is as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them.	3,597
Active employees (including 2,128 fully vested and 651 eligible to retire)	<u>6,211</u>
Total	<u>9,808</u>

Note 2. Summary of Significant Accounting Policies

These financial statements were prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

- (a) **Basis of Accounting** - The financial statements of the Municipal Employees' Retirement Fund (the Fund) are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Dividend income is recorded on the ex-dividend date. Interest income is accrued daily.

- (b) **Method Used to Value Investments** - Investments are recorded in the financial statements at cost. The cost of investments sold is determined using the average cost method. Investment transactions are recorded on the date the investments are traded. The funds of the Municipal Employees' Retirement System are held by the custodian bank (State Street Bank). On July 1, 1992, the State Investment Commission pooled the assets of the State Employees' Retirement System with the assets of the Municipal Employees' Retirement System for investment purposes only, and assigned units to the Systems based on their respective share of market value. The units now are a function of contributions to or withdrawals from components comprising the pool.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

- (c) Security Loans - The State Investment Commission has authorized the securities custodian and transfer agent, State Street Bank and Trust Company (SSB), to also act as its agent for the purpose of lending certain securities of the Fund to borrowers selected by SSB. The loans are collateralized at all times by cash, securities issued or guaranteed by the United States government or its agencies, or certain irrevocable letters of credit, with a market value at least equal to the market value of the securities loaned. As with other extensions of credit, the Fund may bear the risk of delay in recovery or even loss of rights in the collateral should the borrower of the securities fail financially. The Fund receives compensation for lending its securities in the form of fees or from a portion of the income from the investment of the collateral. The Fund also continues to earn income on the securities loaned. At June 30, 1994, the Fund had loaned securities having an estimated value of \$87.2 million.

As the Fund does not trade or sell the collateral received in the securities lending program, such collateral is not considered an asset and a corresponding liability is not required on the balance sheet.

Note 3. Administration of the System

The System is administered by the State Retirement Board which consists of 15 members: the general treasurer; the director of administration or his or her designee; the budget officer or his or her designee; the fiscal advisor to the house finance committee or his or her designee; the president of the league of cities and towns or his or her designee; two (2) active state employee members of the retirement system to be elected by active state employees; two (2) active teacher members of the retirement system to be elected by active teachers; one active municipal employee member of the retirement system to be elected by active municipal employees; one retired member of the retirement system to be elected by retired members of the System; the chairperson of the house finance committee or his or her designee; the chairperson of the senate finance committee or his or her designee; and two (2) public representatives, one of whom shall be a C.L.U. competent in the area of pension benefits, to be appointed by the governor and whose terms shall be for four (4) years, or until their successors are appointed.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
Notes to Financial Statements**

The State Investment Commission oversees all investments made by the State, including those for the Fund. Certain investments are made by investment managers engaged by the Commission at their discretion in accordance with the investment objectives and guidelines for the Fund. Short-term investments are made on a daily basis by the General Treasurer. Rhode Island General Laws, Section 35-10-11 (b)(3) requires that all investments shall be made in securities as would be acquired by prudent persons of discretion and intelligence who are seeking a reasonable income and the preservation of capital.

Note 4. Cash Deposits and Investments

Cash Deposits

At June 30, 1994, the carrying amount of the Municipal Employees' Retirement Fund's cash deposits was \$276,676 and the bank balance was \$277,774. The bank balance represents deposits in the Fund's short-term Trust Account (Citizens Bank and Trust) of \$134,296 which are covered by federal depository insurance and \$143,478 at the Fund's custodian bank (State Street Bank and Trust). The balance with the custodian consists of uncollateralized deposits in foreign banks of \$199,677 (which are not covered by United States federal depository insurance) and a negative bank balance of \$56,199 in a domestic bank account. The negative balance in the domestic bank was due to timing differences in the purchase and sale of securities.

In accordance with Rhode Island General Laws, Chapter 35-10.1, depository institutions holding deposits of the State and its agencies or governmental subdivisions shall, at a minimum, insure or pledge eligible collateral equal to one hundred percent of time deposits with maturities greater than sixty days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to one hundred percent of deposits, regardless of maturity. None of the Fund's deposits were required to be collateralized at June 30, 1994.

Investments

The Municipal Employees' Retirement Fund's investments are pooled with other funds (see Note 2) and are categorized in the following table to give an indication of the level of risk assumed by the entity at June 30, 1994.

Category 1 includes investments that are insured or registered or for which the securities are held by the Fund or its agent in the Fund's name.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

Category 2 includes uninsured and unregistered investments for which the securities are held by the financial institution's, broker's or dealer's trust department or agent in the Fund's name.

Category 3 includes uninsured and unregistered cash equivalents and investments for which the securities are held by the financial institution, broker or dealer; or investments held by the financial institution's, broker's or dealer's trust department or agency but not in the Fund's name.

The estimated market values of real estate and venture capital investments at June 30, 1994, involve subjective judgment. The actual market value of real estate can be determined only by negotiation between the parties in a sales transaction, and venture capital market value can only be determined when there is an arms-length event such as when an entity goes public or when there is a negotiation between the parties in a sales transaction.

	Category			Carrying Amount	Market Value at June 30, 1994
	1	2	3		
U.S. Government and Agency Securities	\$ 122,108,831			\$ 122,108,831	\$ 126,240,594
Corporate Bonds and Notes	17,496,362			17,496,362	17,195,106
Foreign Bonds	125,135			125,135	157,109
Equity Securities	139,341,901			139,341,901	203,408,173
Foreign Securities	<u>18,954,325</u>			<u>18,954,325</u>	<u>19,450,594</u>
	<u>\$ 298,026,554</u>			298,026,554	366,451,576
Money Market Funds				42,489,833	42,489,833
Underlying Securities for Reverse Repurchase Agreements				6,814,192	6,769,202
Real Estate and Venture Capital Limited Partnerships				<u>19,398,795</u>	<u>16,677,587</u>
Total				366,729,374	432,388,198
Less amount classified as cash equivalents				<u>42,489,833</u>	<u>42,489,833</u>
				<u>\$ 324,239,541</u>	<u>\$ 389,898,365</u>

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM**

Notes to Financial Statements

Reverse Repurchase Agreements

The Fund entered into reverse repurchase agreements during the fiscal year. A reverse repurchase agreement is a sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The cash received on reverse repurchase agreements normally exceeds the market value of securities underlying the reverse repurchase agreements, which provides the Fund with protection against an increase in the market value of securities. If the dealers default on their obligations to resell these securities to the Fund or provide securities or cash of equal value, the Fund would suffer an economic loss equal to the difference between the market value of the underlying securities (plus accrued interest) and the reverse repurchase agreement obligation (plus accrued interest). At June 30, 1994, the aggregate amount of reverse repurchase agreement obligations, including accrued interest, was \$6,812,522, and the aggregate market value of the underlying securities, including accrued interest, was \$6,779,228.

Commitments

Under agreements with certain investment portfolio managers, the Fund is committed to provide additional contributions for investments. At June 30, 1994, approximately \$13 million of unfulfilled commitments remained outstanding.

Note 5. Administrative Expenses

Expenses of the Retirement Board and the cost of maintaining the Retirement Fund are paid from a restricted receipt account within the State's General Fund which is used solely to pay such expenses. This account is reimbursed through the transfer of 1.5% of the investment income from the Fund up to a defined limit. Any non-encumbered funds at June 30 of any year are transferred back to the Fund. Administrative expenses incurred by the Fund for the year ended June 30, 1994, amounted to \$213,421 and are included as transfers to other funds.

Note 6. Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits (adjusted for the effects of projected salary increases and step-rate benefits) estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of the Fund on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
Notes to Financial Statements**

make comparisons among employers. The measure is the actuarial present value of credited projected benefits, and is independent of the funding method used to determine contributions to the System.

The pension benefit obligation was computed as part of the actuarial valuation performed as of June 30, 1993, and was the most recent available at the date of this report. Significant actuarial assumptions used in that valuation included (a) an annual rate of return on the investment of assets of 8%, compounded annually; (b) projected annual salary increases of 4.5%, compounded annually; (c) mortality rates based on the 1971 group annuity mortality table; and (d) a retirement age of 65 for general employees and 60 for police and fire personnel, or completion of service requirement, if later. For Police and Fire departments electing the 20-year service plan with unreduced benefits, the retirement age is 57 with 10 years of service.

The total unfunded pension benefit obligation (expressed in thousands) at June 30, 1993, is summarized below:

	<u>General Employees</u>	<u>Police and Fire</u>	<u>Total</u>
Pension benefit obligation:			
Retirees and beneficiaries			
receiving benefits and terminated			
employees not yet receiving benefits	\$ 123,593	\$ 17,486	\$ 141,079
Current employees			
Accumulated employee contributions	44,965	8,442	53,407
Employer-financed vested	33,161	7,226	40,387
Employer-financed nonvested	<u>40,658</u>	<u>8,947</u>	<u>49,605</u>
Total pension benefit obligation	<u>\$ 242,377</u>	<u>\$ 42,101</u>	<u>\$ 284,478</u>

Net assets available for benefits, at carrying value, of the Municipal Employee's Retirement Fund at June 30, 1993 were \$340,268,893 (market value was \$430,979,658). This exceeds the pension benefit obligation by \$55,790,893.

**STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM
Notes to Financial Statements**

Note 7. Actuarially Determined Contribution Requirement and Contributions Made

The funding policy, as set forth in Rhode Island General Laws, Section 45-21-42 provides for actuarially determined periodic contributions to the System. Each employer's contribution to the System includes normal cost and a payment, where applicable, to amortize the unfunded actuarial liability. The normal cost is determined using the entry age normal cost method. In 1989, the rules regarding the amortizing of the unfunded liability were changed. The new rules provided that the unfunded liability in 1988 would be amortized over the remainder of a 25-year period which commenced on the date the employer joined the System. Subsequent divergences from the actuarial assumptions are funded over the projected future salaries of active members. Due to large fluctuations in the contribution rates of certain municipalities, the Retirement Board adopted a procedure which allows an employer the option of paying a contribution rate equal to the previous year's rate plus the greater of 2 percent or one eighth of the increase in the contribution rate, plus the cost of any benefit improvements. The significant actuarial assumptions used to determine the actuarial valuation are described in Note 6. The actuarial value of assets was changed from book value to market value as of June 30, 1992, which is the actuarial valuation date used to determine the fiscal 1994 employers' contribution rates. The actuary will spread the gains resulting from the change of asset value from book to market over three years.

Employers' contributions to the Fund for fiscal 1994 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of June 30, 1992. The portions of employers' contributions that represent normal cost and amortization of the unfunded actuarial liability are determined by the actuary and vary for each employer.

Note 8. Historical Trend Information

Historical trend information, designed to provide information about the Fund's progress made in accumulating sufficient assets to pay benefits when due and required by the Governmental Accounting Standards Board (GASB) Statement Number 5 to be presented as additional information in the annual financial statements, has been presented for all years for which it is available. This information can be found in the Required Supplementary Information section of this report.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Notes to Financial Statements

Note 9. Prior Period Adjustment

Adjustments of \$30,686 were made to current income and the fund balance to account for a return of capital from the Venture Capital portfolio. This transaction occurred in fiscal year 1991 but was not recorded until fiscal year 1994.



ERNEST A. ALMONTE, CPA
Auditor General

GENERAL ASSEMBLY

Office of the Auditor General

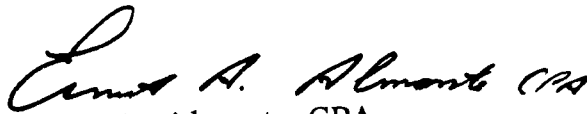
180 NORWOOD AVENUE
CRANSTON, RHODE ISLAND 02905

April 14, 1995

INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

The Analysis of Funding Progress and the Schedule of Revenues by Source and Expenses by Type appearing on the following pages are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consist principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.


Ernest A. Almonte, CPA
Auditor General

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
ANALYSIS OF FUNDING PROGRESS

(Expressed in Thousands)

Fiscal Year	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation	(3) Percentage Funded (1) / (2)	(4) Unfunded (Assets in Excess of Pension Benefit Obligation (2) - (1))	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a Percentage of Covered Payroll (4) / (5)
1987	\$ 170,009	\$ 172,672	98.5%	\$ 2,663	\$ 74,615	3.6%
1988	193,697	196,233	98.7%	2,536	87,386	2.9%
1989	232,252	216,436	107.3%	(15,816)	98,184	(16.1)%
1990	254,498	241,767	105.3%	(12,731)	112,542	(11.3)%
1991	275,640	253,387	108.8%	(22,253)	117,732	(18.9)%
1992	307,168	258,807	118.7%	(48,361)	124,021	(38.9)%
1993	340,269 (1)	284,478	119.6%	(55,791)	129,691	(43.0)%

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the Retirement Fund's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the Fund is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the Fund. Trends in the unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the Fund's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the Fund. Historical trend information has been presented for all years for which it is available. The pension benefit obligation was not computed for years prior to 1987. Data for subsequent years will be added to the schedule.

(1) At cost

(2) Adjusted for prior period adjustments posted in fiscal 1994

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
REVENUES BY SOURCE AND EXPENSES BY TYPE

(Expressed in Thousands)

Revenues by Source

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Other Income</u>	<u>Total</u>
1985	\$ 4,026	\$ 7,217	\$ 10,869	\$ 42	\$ 22,154
1986	4,648	8,451	14,579	61	27,739
1987	4,937	8,258	16,947	105	30,247
1988	5,328	6,331	22,046	103	33,808
1989	5,925	8,754	32,236	88	47,003
1990	6,986	8,034	22,811	94	37,925
1991	8,157	9,649	19,524	383	37,713
1992	8,636	8,501	32,600	24	49,761
1993	9,070	9,514	28,572	140	47,296
1994	9,676	4,695	31,344	189	45,904

Expenses by Type

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Operating Expenses</u>	<u>Refunds</u>	<u>Other Expenses</u>	<u>Total</u>
1985	\$ 6,092		\$ 566	\$ 9	\$ 6,667
1986	6,732		592		7,324
1987	7,765		740	1	8,506
1988	9,135	100	669	2	9,906
1989	10,114	240	741		11,095
1990	11,304	678	654		12,636
1991	15,216	536	564		16,316
1992	16,385	749	683		17,817
1993	17,700	628	696		19,024
1994	19,053	1,104	718	59	20,934

Data for 1985 through 1988 is reported on the cash basis; data for 1989 through 1994 is reported on the accrual basis.



ERNEST A. ALMONTE, CPA
Auditor General

State of Rhode Island and Providence Plantations

GENERAL ASSEMBLY

Office of the Auditor General

180 NORWOOD AVENUE
CRANSTON, RHODE ISLAND 02905

April 14, 1995

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH LAWS AND REGULATIONS

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

We have audited the financial statements of the State of Rhode Island and Providence Plantations Municipal Employees' Retirement System (the System) as of and for the year ended June 30, 1994, and have issued our report thereon dated April 14, 1995.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws and regulations applicable to the System is the responsibility of the System's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of management's compliance with certain provisions of laws and regulations. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

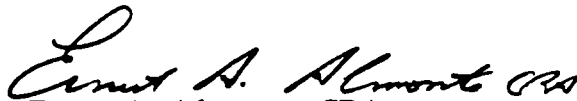
The results of our tests indicate that, with respect to the items tested, the System complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the System had not complied, in all material respects, with those provisions.

Joint Committee on Legislative Services

Page 2

April 14, 1995

This report is intended for the information of the Joint Committee on Legislative Services, the General Treasurer, and members of the Retirement Board. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in cursive script that reads "Ernest A. Almonte CPA".

Ernest A. Almonte, CPA
Auditor General



ERNEST A. ALMONTE, CPA
Auditor General

State of Rhode Island and Providence Plantations

GENERAL ASSEMBLY

Office of the Auditor General

180 NORWOOD AVENUE
CRANSTON, RHODE ISLAND 02905

April 14, 1995

INDEPENDENT AUDITOR'S REPORT ON THE
INTERNAL CONTROL STRUCTURE

JOINT COMMITTEE ON LEGISLATIVE SERVICES, GENERAL ASSEMBLY
STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS:

We have audited the financial statements of the State of Rhode Island and Providence Plantations Municipal Employees' Retirement System (the System) as of and for the year ended June 30, 1994, and have issued our report thereon dated April 14, 1995.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the System for the year ended June 30, 1994, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

The management of the System is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:

- Operating revenues - employer and employee contributions, and net investment income
- Operating expenses - retirement benefits
- Administration of compliance with State laws pertaining to the retirement system and the investment of assets held by the System

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

Our consideration of the control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

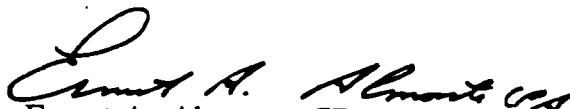
However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of the System, in a separate letter dated April 14, 1995.

Joint Committee on Legislative Services

Page 3

April 14, 1995

This report is intended for the information of the Joint Committee on Legislative Services, the General Treasurer, and members of the Retirement Board. However, this report is a matter of public record and its distribution is not limited.


Ernest A. Almonte, CPA
Auditor General

Reserve Balance by Unit
(Unaudited)

	Members Contribution Reserve	Employers Contribution Reserve	Retirement Reserve
Town Of Barrington	\$ 1,367,387.30	\$ (2,467,392.71)	\$ 10,885,099.46
Town Of Bristol	968,188.97	(1,181,339.38)	6,993,067.04
Town Of Burrillville	1,207,815.12	(291,840.46)	6,034,273.19
Town Of Central Falls	279,345.66	(1,048,775.09)	1,333,117.98
Town Of Charlestown	116,625.21	(186,760.53)	304,451.60
City Of Cranston	8,188,793.29	(2,467,763.38)	44,341,830.62
Town Of Cumberland	1,310,644.17	(217,641.83)	5,541,059.40
Town Of East Greenwich	1,180,763.10	(1,045,013.58)	7,160,509.05
City Of East Providence	4,216,828.34	(11,265,450.58)	38,320,451.23
Town Of Exeter/West Greenwich	272,315.20	324,104.54	683,659.38
Town Of Foster	216,224.86	(125,293.45)	749,920.80
Town Of Gloucester	270,994.89	(280,965.34)	1,022,673.79
Town Of Hopkinton	182,691.76	76,944.95	717,651.48
Town Of Jamestown	441,805.34	(455,106.84)	2,295,556.20
Town Of Johnston	1,844,712.72	(2,980,747.25)	13,892,400.49
City Of Newport	3,605,595.20	(3,978,873.63)	20,115,939.81
Town Of New Shoreham	228,425.66	(116,141.08)	725,281.63
Town Of North Kingstown	2,198,947.78	(3,605,822.34)	12,712,048.98
City Of North Providence	1,942,875.81	(1,087,316.61)	9,353,427.97
Town Of North Smithfield	682,952.62	(553,605.33)	4,666,977.83
City Of Pawtucket	6,901,251.68	(9,309,355.25)	40,752,170.13
Town Of Richmond	82,378.14	60,823.59	171,360.12
Town Of Scituate	606,517.42	(28,425.69)	2,941,981.72
Town Of Smithfield	1,256,364.06	(597,435.38)	7,139,658.15
Town Of South Kingstown	2,196,259.20	(794,865.08)	9,240,300.51
Town Of Tiverton	700,653.33	(747,437.70)	5,021,884.21
Town Of Warren	257,405.59	(1,988,071.69)	4,758,051.29

	Members Contribution Reserve	Employers Contribution Reserve	Retirement Reserve
Town Of Westerly	\$ 109,514.92	\$ 19,478.28	\$ 471,556.60
Town Of West Greenwich	97,380.72	(24,463.28)	325,310.55
Town Of Woonsocket	3,173,342.90	(5,775,242.59)	27,647,963.35
Charlho Regional School District	602,507.55	320,506.38	1,240,116.35
Foster-Glocester School District	240,911.36	96,407.51	696,457.00
Situate Police	-	-	87,327.67
Coventry Fire/Lighting District	21,923.71	98,362.82	21,310.89
Hope Valley/Wyoming Fire District	4,098.22	13,623.62	1,689.58
Granston Housing Authority	142,727.57	(178,928.33)	960,064.14
East Providence Housing Authority	135,376.75	(96,030.09)	777,960.08
Pawtucket Housing Authority	485,060.46	(594,812.99)	3,514,747.65
Cumberland Housing Authority	56,270.84	(275,125.59)	651,123.48
Lincoln Housing Authority	74,889.09	(104,307.29)	570,557.39
Bristol Housing Authority	80,749.49	3,579.83	437,852.09
Burrillville Housing Authority	34,477.49	13,173.85	149,137.98
North Providence Housing Authority	75,040.01	28,755.44	218,717.49
East Smithfield Water District	26,937.65	43,015.45	71,469.86
Greenville Water District	64,620.66	12,506.88	240,342.83
Warren Housing Authority	61,711.80	43,383.15	230,808.17
Johnston Housing Authority	36,607.67	(63,877.56)	348,673.51
Coventry Housing Authority	57,926.23	(74,347.16)	358,872.73
Tiogue Fire/Lighting	677.04	2,902.91	271.65
West Warwick Housing Authority	68,333.82	(18,383.35)	259,136.00
Smithfield Housing Authority	12,483.48	(38,621.11)	92,222.42
Central Falls Housing Authority	59,666.84	(299,227.02)	689,848.33
Limerock Administrative Services	3,953.86	6,822.79	2,054.72
Central Falls Regional School	234,605.72	363,254.91	323,978.55
Bristol/Warren School Dept.	682,390.89	(579,140.37)	3,992,479.19

Limerock Fire District
 North Smithfield Volunteer Fire District
 Valley Falls Fire District
 East Greenwich Fire District
 East Greenwich Police Department
 North Kingstown Police and Fire
 North Providence Fire Department
 Barrington Police
 South Kingstown Housing Authority
 South Kingstown Police
 Warren Police Department
 Primrose Volunteer Fire Department
 Narragansett Housing Authority
 North Smithfield Police Department
 Tiverton Fire Department
 Foster Police
 Woonsocket Police
 Charlestown Police Department
 Hopkinton Police
 Gloucester Police Department
 West Greenwich Police and Rescue
 Burrillville Police Department
 Cumberland Rescue
 Washington Fire Department
 Woonsocket Fire Department
 Bristol Fire Department
 Cumberland Hill Fire Department
 Coventry Fire Department
 Barrington Fire Department
 Tivogue Fire Department

	Members Contribution Reserve	Employers Contribution Reserve	Retirement Reserve
	\$ 9,033.30	\$ 60,581.01	\$ 23,664.32
	59,467.25	74,819.13	27,500.99
	61,310.73	(301,302.25)	525,077.29
	336,090.40	(1,275,398.28)	3,715,163.70
	483,169.80	(226,886.58)	3,381,738.15
	1,221,492.37	(2,935,446.77)	10,219,428.07
	1,363,943.67	651,072.01	4,135,817.57
	432,970.93	(2,551,460.01)	5,004,288.09
		(14,125.77)	40,804.68
	952,404.49	117,673.99	4,684,799.71
	412,609.50	(599,630.26)	2,969,493.52
	101,740.71	151,617.14	360,069.07
	2,145.00	1,594.45	283.75
	357,360.13	130,518.81	1,482,473.62
	426,687.91	56,478.91	2,075,371.76
	107,543.93	92,506.76	337,290.62
	998,280.77	846,003.84	1,058,757.50
	157,522.43	(77,067.00)	520,889.49
	155,002.66	149,242.13	187,343.65
	152,145.92	180,489.11	186,073.76
	73,886.20	168,604.52	72,781.27
	188,102.88	131,446.52	1,157,081.60
	100,180.24	162,788.17	103,179.39
	66,553.55	68,263.06	28,894.23
	680,674.48	587,274.07	254,496.95
	8,930.27	13,331.25	4,430.42
	73,695.87	235,481.10	77,065.87
	68,497.38	111,434.97	112,001.26
	384,729.47	(2,331,142.07)	6,752,068.57
	20,528.32	38,390.84	8,694.53

North Cumberland Fire Department
 Central Coventry Fire Department
 Hopkins Hill Fire Department
 Cumberland Fire Department
 Lincoln Rescue

	Members Contribution Reserve	Employers Contribution Reserve	Retirement Reserve
\$	78,198.32	\$ 161,007.49	\$ 34,539.64
	53,750.61	109,504.91	22,996.44
	13,326.70	10,454.01	3,071.83
	52,425.17	116,840.00	27,034.16
	44,269.01	51,699.66	9,236.29

Employees Retirement System of Rhode Island

Summary of Actuarial Valuation

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, 1994.

This certificate contains the following attached exhibits:

EXHIBIT I - Actuarial Cost Development of Fiscal Year 1996-97
Contribution Percentage

A. State Employees

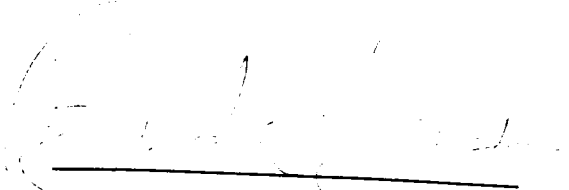
B. Teachers

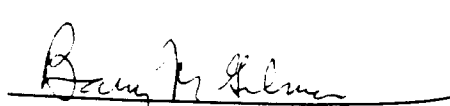
EXHIBIT II - Pension Benefit Obligation, Vested Benefit Liability

EXHIBIT III - Actuarial Method and Assumptions

EXHIBIT IV - Summary of Plan Provisions

To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate and in our opinion each individual assumption used (a) is reasonably related to the experience of the plan and to reasonable expectations and (b) represents our best estimate of anticipated experience under the plan.


Bernard H. Friedman, A.S.A., M.A.A.A.
Consultant


Barry M. Gilman, F.S.A., M.A.A.A.
Principal

Summary of Actuarial Valuation Results For The Employees' Retirement System

	<u>1994</u>	<u>1993</u>
] Assets (State Employees and Teachers)		
Market Value	\$2,916,977,000	\$2,811,948,000
Actuarial Value	\$2,965,214,165	\$2,726,033,873
Contributions	\$203 million	\$184 million
Benefit Payments	\$211 million	\$204 million
] Time-weighted return on market value of assets*		
	1.7%	11.1%
] Members		
<i>Active</i>		
State Employees	14,211	14,582
Teachers	11,378	11,588
<i>Retirees and Beneficiaries</i>		
State Employees	8,494	8,479
Teachers	4,898	4,921
<i>Inactive</i>		
State Employees	2,389	2,279
Teachers	<u>1,600</u>	<u>1,156</u>
Total	42,970	43,005
<i>Vested Employees</i>		
State Employees	7,628	7,372
Teachers	7,290	7,335
] Covered Payroll		
State Employees	\$434 million	\$426 million
Teachers	\$468 million	\$457 million

*As prepared by Wilshire Associates

Summary of Actuarial Valuation Results (continued)

	<u>1994</u>	<u>1993</u>
<input type="checkbox"/> GASB No. 5 disclosure		
<i>Pension Benefit Obligation (PBO)</i>		
State Employees	\$1,680,569,000	\$1,586,540,000
Teachers	\$2,351,424,000	\$2,214,819,200
<i>Unfunded PBO</i>		
State Employees	\$466,275,897	\$399,132,100
Teachers	\$735,848,004	\$674,852,400,
<i>GASB funded ratio (assets at market value as a % of PBO)</i>		
State Employees	72.25%	74.84%
Teachers	68.70%	69.53%
<input type="checkbox"/> Vested Benefit Liability		
<i>Total value of vested benefits</i>		
State Employees	\$1,498,325,000	\$1,421,187,000
Teachers	\$2,062,260,000	\$1,941,452,200
<i>Vested benefits funding level</i>		
State Employees	81.04%	83.55%
Teachers	78.34%	79.32%
<input type="checkbox"/> Projected Benefits to actuarial asset value		
State Employees	64.85%	64.38%
Teachers	61.15%	58.73%

ACTUARIAL METHOD AND ASSUMPTIONS

I. Actuarial Funding Method

Actuarial Funding Method - Frozen initial liability method. This method is alternatively referred to as the entry age normal cost method with frozen initial liability.

Entry Age - The employee's age at the time he or she would have commenced participation if the plan had always been in existence.

Frozen actuarial liability - At the time this funding method was introduced June 30, 1985 the unfunded liability was calculated and called the Frozen Actuarial Liability. This amount was originally to be funded over a 30 year period by the sum-of-the-digits amortization method. Effective from 1989, however the outstanding balance, referred to as the Unfunded Liability, is to be amortized over the remaining amortization period using a level percent of salary funding. (ref. General Laws section 36-10-2 and 36-10-2.1). Subsequent changes to the Unfunded Liability due to changes to benefits or actuarial assumptions are amortized either over a new 30-year period or over the remaining initial amortization period depending on how large the total change to the unfunded liability for each fiscal year is relative to the existing unfunded liability. The following table illustrates the amortization method:

<u>Change in Unfunded Liability</u>	<u>Amortization Period</u>
Less than 1% of existing Unfunded	No new base set up (existing Unfunded not changed)
Between 1% and 10% of existing Unfunded	The change to Unfunded is amortized over current remaining period i.e., aggregated with existing Unfunded
Over 10% of existing Unfunded	A separate base equal to change in Unfunded is set up and amortized over a new 30 year period

II. Actuarial Assumptions Concerning Future Events

Mortality - 1971 Group Annuity Mortality Table with Mortality for disabled persons set equal to the age 65 mortality under 1971 Group Annuity Mortality Table.

<u>Age</u>	<u>Sample Rates</u>		<u>Expected Life</u>	
	<u>Mortality</u>		<u>Males</u>	<u>Females</u>
	<u>Males</u>	<u>Females</u>		
20	.050%	.026%	55.3 yrs.	61.6 yrs.
25	.062	.035	50.4	56.7
30	.080	.047	45.6	51.8
35	.112	.065	40.8	47.0
40	.163	.094	36.1	42.1
45	.292	.140	31.4	37.4
50	.529	.215	26.9	32.6
55	.852	.326	22.8	28.0
60	1.312	.549	18.8	23.5
65	2.126	.956	15.2	19.3
70	3.611	1.648	11.9	15.3

Investment Return - 8.0%, compounded annually.

Salary Increases - Salaried will increase at a rate of 4.5%, compounded annually.

Retirement Age - State employees are assumed to retire at the later of age 62-1/2 or completion of the service requirements. Teachers are assumed to retire at the later of age 61 or completion of the service requirements.

Disability - Disability is assumed to occur in accordance with the following table with 15% of disabilities being occupational.

<u>Disability - Sample Rates</u>	
<u>Age</u>	<u>Rate of Disability</u>
20	.06%
25	.09
30	.11
35	.15
40	.22
45	.36
50	.61
55	1.01
60	--

Withdrawal - Termination of service for reasons other than death, retirement, or disability will be in accordance with the following tables.

Sample Withdrawal Rates

<u>Age</u>	<u>State Employees</u>	<u>Teachers</u>
20	21.20%	12.39%
25	15.80%	9.70%
30	11.60%	7.50%
35	8.40%	5.66%
40	6.20%	4.14%
45	4.20%	2.75%
50	2.60%	1.35%
55	--	--
60	--	--

Cost of Living Adjustments - 3% compound annually beginning on the January 1st following a participant's third anniversary of retirement.

Actuarial Value of Assets - The actuarial value of assets was set equal to the market value of assets as of June 30, 1991 as reported to Mercer by the Treasury Department in December 1991. Investment gains and losses relative to the expected return on assets from this date onward will be recognized over a 3-year smoothing period.

Estimation of Unknown Employee Characteristics - Missing dates for participants are estimated using a band-type averaging method assigning band grouped average dates to those individuals with missing dates of birth or hire. For example, an employee missing a date of hire is given an estimated date of hire based on the average of known dates of hire for persons in his age band. For Employees who are missing salaries, salaries are estimated based on employee contributions for the year ending June 30, 1994 and with regard to employee salary history, where this information was insufficient, average salaries were used. For State Employees this is \$31,300, and for Teachers it is \$41,700 for the salary year July 1, 1993 to June 30, 1994.

Allocation of book value assets by plan- Reserve values

	<u>1994</u>	<u>1993</u>
<u>State Employees:</u>		
Employer reserves	\$ 788,590,130	\$ 746,948,542
Member reserves	<u>256,820,694</u>	<u>232,564,339</u>
Total State Employees reserves	\$ 1,045,410,824	\$ 979,512,881
<u>Teachers:</u>		
Employer reserves	\$ 1,024,922,092	\$ 938,869,036
Member reserves	<u>365,961,557</u>	<u>331,475,661</u>
Total Teacher reserves	\$ 1,390,883,649	\$ 1,270,344,697
<u>Teachers Survivors:</u>		
Employer reserves	\$ 63,819,760	\$ 59,068,371
Member reserves	<u>11,172,813</u>	<u>10,697,584</u>
Total Teachers Survivors reserves	\$ 74,992,573	\$ 69,765,955
<u>Unallocated:</u>		
Unreserved Balance	\$ <u>49,571,572</u>	<u>N/A</u>
Total Book Value of Assets	\$ <u>2,560,858,618</u>	\$ <u>2,319,856,609</u>

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

Contribution Requirements

The contribution requirements for fiscal 1997 for the State Employees' Retirement Plan and the Teachers' Retirement Plan are set out on the next page. For comparison the contribution requirements for the previous two fiscal years are also shown.

	<u>†Fiscal 1997</u>	<u>†Fiscal 1996</u>	<u>Fiscal 1995</u>
State Employees Plan:			
Normal Cost	12.69%	12.21%	12.72%
Unfunded Liability Cost	<u>6.11%</u>	<u>5.99%</u>	<u>6.35%</u>
Total Cost	18.80%	18.20%	19.07%
Less Employee Contribution	<u>8.75%</u>	<u>8.75%</u>	<u>7.75%</u>
Employer Cost*	10.05%	9.45%	11.32%
Teachers Plan:			
Normal Cost	14.46%	14.78%	14.77%
Unfunded Liability Cost	<u>9.61%</u>	<u>9.43%</u>	<u>9.75%</u>
Total Cost	24.07%	24.21%	24.52%
Less Employee Contribution	<u>9.50%</u>	<u>9.50%</u>	<u>8.50%</u>
Employer Cost	14.57%	14.71%	16.02%

* The employer pension cost is calculated based on an offset of the employee contribution rate. We have therefore assumed that the State will pay the entire cost for retiree medical benefits. Any funds contributed to a 401(h) account have been ignored in determining the contribution results shown above.

In 1993 the Retirement Board elected to compute future fiscal year costs one extra year in advance to assist the fiscal budget process. Therefore employer costs for fiscal years ending in 1995, 1996 and 1997 are based on the valuation results and data as of June 30, 1992, June 30, 1993 and June 30, 1994 respectively.

For fiscal 1997, the Teachers' Plan rate is to be paid 40% by the State and 60% by the cities and towns. The overall rate of 14.57% includes the cost of prior fiscal year State contribution deferrals. The deferral represents 0.57% of the rate and is payable by the State. The cities' and towns' share is therefore 60% of 14.00%, or 8.40%, and the State will contribute the balance of the 14.57%, or 6.17%.

The funding statute calls for the contribution requirement to be calculated as the normal cost of the plan plus the total of the amortization payment for each unfunded cost element. The table on the next page shows the development of the contribution requirement for the State Employees' Plan and the Teachers' Plan.

† During the 1995 General Session, the employee contribution was increased 1% for both State employees and Teachers. The actuarial contribution rates have been adjusted to reflect the change.

	<u>State Employees' Plan</u>	<u>Teachers' Plan</u>
Normal Cost	12.69%	14.46%
Less Employee Contributions	<u>8.75%</u>	<u>9.50%</u>
Employer Normal Cost	3.94%	4.96%
 Unfunded Cost due to:		
Original Unfunded	6.43%	9.62%
1989 Assumption Changes	(0.65%)	0.00%*
1989 Early Retirement Incentive	0.63%	None
1990 Early Retirement Incentive	0.61%	1.73%
1991 Assumption and Method Changes	(1.53%)	(2.31%)
Fiscal 1990-91 Deferral	0.33%	0.30%
Fiscal 1991-92 Deferral	<u>0.29%</u>	<u>0.27%</u>
Total Unfunded	6.11%	9.61%
 Total Cost as a percentage of payroll	 10.05%	 14.57%

* The effect of the 1989 assumption changes in the Teachers Plan was less than the minimum threshold for setting up a separate base. Thus, the effect was aggregated with the existing unfunded.

Towns which did not Participate in the 1990 Early Retirement Incentive Program

There were a number of towns which did not participate in the 1990 early retirement incentive program. These were:

Code Number:	2003	Burrillville
	2009	East Greenwich
	2018	Little Compton
	2025	North Smithfield
	2022	New Shoreham

As a result the contribution requirement for these towns is reduced by the cost of the early retirement incentive program. The overall contribution requirement for fiscal 1997 of the group is 12.84% (i.e., 14.57% minus the cost of the 1990 early retirement incentive program of 1.73%) and as above the State will meet the full cost of prior fiscal year deferrals of 0.57%. The contribution for these towns is therefore 7.36% and the State contributes the balance of 5.48%.

SUMMARY OF PLAN PROVISIONS

FINAL AVERAGE SALARY

Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay.

NORMAL RETIREMENT

Age and Service Requirements

General Employees and Teachers may retire with full accrued benefits at age 60 with 10 years of service or after 28 years of service regardless of age.

Correctional Officers may retire with unreduced accrued benefits at age 50 with 20 years of service.

Legislators may retire with unreduced accrued benefits at age 55 with 8 years of service or after 20 years of service with no restriction on age.

Amount of Retirement Benefits

State Employees and Teachers:

1.7% of final average salary times service up to 10 years, plus
1.9% of final average salary times service in excess of ten years through 20 years, plus
3.0% of final average salary times service in excess of 20 years up to the 34th year of service, plus
2.0% of final average salary for the 35th year. Maximum benefit is 80% of final average salary.

Correctional Officers:

2.0% of final average salary for the first 30 years of service, plus
6.0% of final average salary for the 31st year, plus
5.0% of final average salary for the 32nd year, plus
4.0% of final average salary for the 33rd year, plus
3.0% of final average salary for the 34th year, plus
2.0% of final average salary for the 35th year.
Maximum benefit is 80% of final average salary.

Legislators:

\$600 per year of service.

Maximum benefit is \$10,000.

DISABILITY BENEFIT

Non-occupational

Service Requirement - 5 years

Amount of Benefit - Regular pension benefit based on service to disability and final average salary at time of disability. The minimum benefit is 17% of final average salary.

Occupational

There is no age or service requirements for the occupational disability benefit.

Amount of Benefit: Two thirds of final salary at time of disability, payable immediately.

VESTING

Employees are vested in their retirement benefits on completion of 10 years of service.

PRE-RETIREMENT DEATH BENEFITS

Lump Sum Benefit

There are no age or service requirements for this benefit.

Amount of Benefit

\$800 per year of service with a minimum of \$4,000 and a maximum of \$16,000, plus a refund of employee contributions.

Joint and Survivor Benefit (optional)

Service Requirement - 10 years for General Employees and Correctional officers, 8 years for Legislators.

Amount of Benefit - Benefit employee would have received had he/she retired the day before he/she died and chosen the joint and survivor option.

Occupational Death Benefit

This benefit has no age or service requirement.

Amount of benefit - 50% of salary to spouse or children of employees under age 18, less workmen's compensation, plus a refund of employee contributions.

POST-RETIREMENT DEATH BENEFITS

Lump sum in the amount of:

- (a) 100% of employee contributions less benefits paid, plus
- (b) Pre-retirement death benefit, reduced 25% per year of retirement, with a minimum of \$4,000.

EMPLOYEE CONTRIBUTIONS

State Employees:	8.75%
Teachers:	9.50%
Legislators:	30.00%

AVAILABLE BENEFIT OPTIONS

Joint and Survivor - Actuarially Equivalent Benefit paying either 100% or 50%, depending on option selected, of retirement benefit to surviving beneficiary.

Social Security - Pays an increased benefit until age 62 and a reduced benefit thereafter to provide a level benefit when Social Security payments are accounted for.

POST-RETIREMENT COST OF LIVING ADJUSTMENT

Retirees' benefits are adjusted annually by 3%, compounded, to allow for increases in cost of living. Cost of living adjustments begin on the January 1st following the third anniversary of an employee's retirement.

Municipal Employees' Retirement System

Summary of Actuarial Valuation

MUNICIPAL 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, 1994.

This certificate contains the following attached exhibits:

EXHIBIT I - Actuarial Cost Factors as of June 30, 1994

- A. General employees
- B. Police and firemen

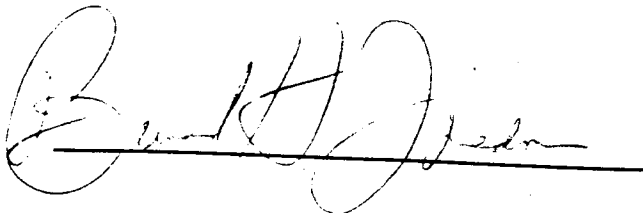
EXHIBIT II - Pension Benefit Obligation

EXHIBIT III - Participant Information

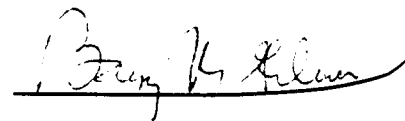
EXHIBIT IV - Actuarial Method and Assumptions

EXHIBIT V - Summary of Plan Provisions

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



Bernard H. Friedman, A.S.A., M.A.A.A.
Consultant



Barry M. Gilman, F.S.A., M.A.A.A.
Principal

Summary of Actuarial Valuation Results For The Municipal Employees' Retirement System

	<u>1994</u>	<u>1993</u>
<input type="checkbox"/> Assets (General Employees and Police & Fire)		
Market Value	\$431,990,100	\$437,549,000
Actuarial Value	\$445,432,702	\$413,105,554
Contributions	\$14,723,300	\$18,022,800
Benefit Payments	\$19,836,300	\$18,428,600
<input type="checkbox"/> Time-weighted return on market value of assets†	2.20%	11.10%
<input type="checkbox"/> Members		
<i>Active</i>		
General Employees	5,387	5,508
Police and Fire	656	703
<i>Retirees and Beneficiaries</i>		
General Employees	2,649	2,567
Police and Fire	154	153
<i>Inactive</i>		
General Employees	914	849
Police and Fire	<u>80</u>	<u>28</u>
Total	994	877
Vested Employees		
General Employees	1,992	1,909
Police and Fire	213	219

† As prepared by Wilshire Associates

Summary of Actuarial Valuation Results (continued)

	<u>1994</u>	<u>1993</u>
☐ Covered Payroll		
General Employees	\$112,745,900	\$109,273,600
Police and Fire	\$20,467,500	\$20,417,300
☐ GASB No. 5 disclosure		
<i>Pension Benefit Obligation (PBO)</i>		
General Employees	\$264,818,300	\$242,376,900
Police and Fire	\$47,757,100	\$42,101,000
<i>§ Unfunded PBO (Assets in excess of)</i>		
General Employees	(\$101,509,312)	(\$131,289,857)
Police and Fire	(\$17,905,397)	(\$21,781,139)
<i>GASB funded ratio (assets at market value as a % of PBO)</i>		
General Employees	138.33%	154.16%
Police and Fire	137.49%	151.73%

Changes in the Retirement System

The following new units have been included in the valuation of the Municipal Retirement System as of June 30, 1994:

	<u>Unit</u>	<u>Entered System</u>
3042	Tiogue Fire & Lighting	7/1/94
3043	Narragansett Housing	7/1/94

§ The Unfunded PBO is depicted for the fund as a whole and should be used for total fund comparison only. The value is not relevant when particular units are being compared. Individual unit PBO is shown at the end of this section.

Plan Benefits

The following units adopted benefit changes:

	<u>Unit</u>	<u>Benefit Change (Effective Date)</u>
3041	Foster/Glocester	COLA B (1/1/95)
3053	Pawtucket Housing	COLA B (1/1/95)
4062	Warren Police	COLA C (1/1/95)
4064	Primrose Volunteer Fire	COLA B (1/1/95)

The following units had a change in their benefit structure reported:

		<u>Last Year</u>	<u>This Year</u>
3033	Tiventon	COLA C	No Cola
3059	Bristol Housing	COLA C	No Cola
4100	Tiogue Fire	COLA C	No Cola

If certain units, prior to fiscal 1997, reach a decision to adopt a new benefit structure, the contribution rates incorporated in this report will be altered accordingly.

Smoothed Contribution Rate

The section on actuarial methods and assumptions describes the smoothed contribution rate option. The following units are eligible to elect the option for fiscal 1997.

	<u>Unit</u>	<u>Contribution Rate</u>	<u>Smoothed Contribution Rate</u>
3029	Richmond	4.65%	3.82%
3036	Westerly	54.81%	46.15%
3045	Coventry Lighting District	42.68%	39.81%
3067	East Smithfield Water	13.34%	8.12%
4042	Valley Falls Fire	29.18%	25.76%

In determining whether a unit is eligible to elect a smoothed contribution rate, we have calculated whether the difference between the fiscal 1996 cost, adjusted for benefit improvements, if any, and the fiscal 1997 cost exceeds 2%. The only exception to this rule applies for units which were eligible for a smoothed rate for fiscal 1996. In those cases we have compared the fiscal 1996 smoothed rate with the fiscal 1997 cost.

ACTUARIAL METHOD AND ASSUMPTIONS

I. Actuarial Funding Method

Actuarial Funding Method - Entry age normal cost method has been utilized. This method spreads the cost of benefits to be provided to an individual participant as a level percentage of pay from his or her date of employment to the assumed date of retirement.

Due to experience gains and losses or amendments to the benefits, accrued liabilities will not exactly equal the value of assets. The difference between the accrued liabilities and assets is called the unfunded liability. In 1988, the rules regarding amortizing the unfunded liability were changed. Under the new rules, the existing unfunded liability in 1988 was amortized over the remainder of a 25 year period which commenced on the date the unit joined the System. Subsequent divergences from the actuarial assumptions are to be funded over the projected future salaries of active members.

Smoothed Contribution Rate - Due to large fluctuations in the contribution rates of certain municipalities, the Retirement Board elected to adopt a procedure which would allow a unit the option of paying a smoothed contribution rate. The smoothed contribution rate equals the previous fiscal year's contribution rate plus the greater of 2% or one eighth of the increase in contribution rate (plus the cost of any benefit improvements).

II. Actuarial Assumptions Concerning Future Events

Mortality - 1971 Group Annuity Mortality Table with Mortality for disabled persons set equal to the age 65 mortality under 1971 Group Annuity Mortality Table.

Sample Rates

<u>Age</u>	<u>Mortality</u>		<u>Expected Future Lifetime</u>	
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>
20	.050%	.026%	55.3 yrs.	61.6 yrs.
25	.062	.035	50.4	56.7
30	.080	.047	45.6	51.8
35	.112	.065	40.8	47.0
40	.163	.094	36.1	42.1
45	.292	.140	31.4	37.4
50	.529	.215	26.9	32.6
55	.852	.326	22.8	28.0
60	1.312	.549	18.8	23.5
65	2.126	.956	15.2	19.3
70	3.611	1.648	11.9	15.3

Investment Return - 8.0%, compounded annually.

Salary Increases - Salaries will increase at a rate of 4.5%, compounded annually.

Retirement Age - Municipal employees are assumed to retire at the later of age 65 or completion of the service requirements. Police and Firemen are assumed to retire at the later of age 60 or completion of the service requirements. For police and fire departments electing the optional plan paying unreduced benefits after 20 years of service, employees are assumed to retire at the later of age 57 and completion of 10 years of service.

Disability - Disability is assumed to occur in accordance with the following table with 15% of disabilities being occupational for municipal employees and 50% of disabilities being occupational for police and firemen.

<u>Disability - Sample Rates</u>		<u>Disability - Sample Rates</u>	
<u>Municipal Employees</u>		<u>Police and Firemen</u>	
<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	.06%	20	.12%
25	.09	25	.17
30	.11	30	.22
35	.15	35	.29
40	.22	40	.44
45	.36	45	.72
50	.61	50	1.21
55	1.01	55	--
60	--	60	--

Withdrawal - Termination of service for reasons other than death, retirement, or disability will be in accordance with the following tables. For police and firemen, no withdrawal for reasons other than death, disability, or retirement is assumed.

Sample Withdrawal Rates

<u>Age</u>	<u>Municipal Employees</u>
20	21.20%
25	15.80%
30	11.60%
35	8.40%
40	6.20%
45	4.20%
50	2.60%
55	--
60	--

Cost of Living Adjustments - 3%, not compound, beginning on the January 1st following a participant's retirement if the municipal group elects this optional benefit provision.

Actuarial Value of Assets - The actuarial value of assets spreads investment gains and losses relative to the assumed return of 8%, over a three year period.

Estimation of Unknown Employee Characteristics - Missing dates for participants are estimated using a band-type averaging method assigning band grouped average dates to those individuals with missing dates of birth or hire. For example, an employee missing a date of hire is given an estimated date of hire based on the average of known dates of hire for persons in his age band. For Employees who are missing salaries, their salaries are estimated by the average salaries for those employees in the same municipal group whose data is complete.

SUMMARY OF PLAN PROVISIONS

FINAL AVERAGE SALARY

Final average salary is the three highest consecutive years of earned salary exclusive of overtime, bonuses, or severance pay.

NORMAL RETIREMENT

Age and Service Requirements

General Employees may retire with full accrued benefits at age 58 with 10 years of service or after 30 years of service regardless of age.

Police and Firemen may retire with unreduced accrued benefits at age 55 with 10 years of service or after 25 years regardless of age.

Police and Firemen under the Optional Plan may retire with unreduced accrued benefits at age 55 with 10 years of service or after 20 years of service with no restriction on age.

Amount of Retirement Benefits

2% of final average salary times service, maximum benefit is 75% of final average salary.

For the optional 20-year service plan, retirement benefit is 2.5% of final average salary times service with a maximum benefit of 75% of final average salary.

EARLY RETIREMENT

Age and Service Requirement

Early retirement is only available to policemen and firemen under the normal plan.

Amount of Retirement Benefits

Regular pension accrued, reduced by 6% for each year of age less than 55.

DISABILITY BENEFIT

Non-occupational

Service Requirement - 5 years

Amount of Benefit - Regular pension benefit based on service to disability and final average salary at time of disability, payable immediately. The minimum benefit is 20% of final average salary.

Occupational

There is no age or service requirements for the occupational disability benefit.

Amount of Benefit - Two thirds of final salary at time of disability, payable immediately.

VESTING

Employees are vested in their retirement benefits on completion of 10 years of service.

PRE-RETIREMENT DEATH BENEFITS

Lump Sum Benefit

There are no age or service requirements for this benefit.

Amount of Benefit:

- (a) \$800 per year of service with a minimum of \$4,000 and a maximum of \$16,000, plus
- (b) Refund of employee contributions.

Joint and Survivor Benefit (optional)

Service Requirement - 10 years.

Amount of Benefit - Benefit employee would have received had he/she retired the day before he/she died and chosen the 100% joint and survivor option.

Police and Firemen's Survivor Benefit

There is no age of service requirement for this benefit.

Amount of Benefit:

- (a) 30% of final average salary to spouse plus 10% to each child under age 18, plus
- (b) Refund of employee contributions.

Occupational Death Benefit

This benefit has no age or service requirement.

Amount of benefit:

- (a) 50% of salary to spouse or children of employees under age 18, less workmen's compensation. Police and firemen also receive 10% for each child under 18 to a maximum of 66-2/3%.
- (b) Refund of employee contributions.

POST-RETIREMENT DEATH BENEFITS

Lump sum in the amount of:

- (a) 100% of employee contributions less benefits paid, plus

(b) Pre-retirement death benefit, reduced 25% per year of retirement, with a minimum of \$4,000.

EMPLOYEE CONTRIBUTIONS

Municipal Employees - 6% until maximum benefit (75% of final average salary) is accrued. Increased to 7% with post-retirement cost-of-living increase.

Policemen and Firemen - 7% until maximum benefit (75% of final average salary) is accrued. Increased to 8% with post-retirement cost-of-living increase. Increased by 1% for 20 year service plan.

AVAILABLE BENEFIT OPTIONS

Joint and Survivor - Actuarially Equivalent Benefit paying either 100% or 50%, depending on option selected, of retirement benefit to surviving beneficiary.

Social Security - Pays an increased benefit until age 62 and a reduced benefit thereafter to provide a level benefit when Social Security payments are accounted for.

POST-RETIREMENT COST OF LIVING ADJUSTMENT

Retirees' benefits are adjusted annually by 3%, not compounded, to allow for increases in cost of living if their municipal group adopts this benefit provision.

Recommended Employer Contribution Rates

MUNICIPALITY	EMPLOYEE CONTRIBUTION RATE	FISCAL 1997			Total Employer Rates for the Fiscal Years		
		EMPLOYER NORMAL COST	PAST SERVICE COST	TOTAL EMPLOYER RATE	1996	1995	
General Employees							
1 Barrington		6.00%	1.56%	0.00%	1.56%	1.67%	1.60%
2 Bristol	B	7.00%	0.46%	0.00%	0.46%	0.73%	0.82%
3 Burrillville	C	7.00%	2.83%	0.00%	2.83%	3.33%	3.75%
4 Central Falls		6.00%	0.44%	15.98%	16.42%	18.04%	13.00%
5 Charlestown	C	7.00%	1.47%	13.24%	14.71%	13.67%	14.84%
7 Cranston	B	7.00%	1.40%	0.00%	1.40%	1.60%	1.54%
8 Cumberland		6.00%	3.11%	0.00%	3.11%	3.14%	3.18%
9 East Greenwich		6.00%	1.33%	0.00%	1.33%	1.17%	1.29%
10 East Providence	B	7.00%	2.13%	0.00%	2.13%	2.04%	2.19%
11 Exeter/West Greenwich		6.00%	3.25%	0.00%	3.25%	3.48%	3.62%
12 Foster		6.00%	0.61%	2.00%	2.61%	5.43%	3.27%
13 Gloucester		6.00%	2.73%	0.00%	2.73%	2.80%	3.32%
14 Hopkinton		6.00%	2.22%	0.00%	2.22%	2.32%	2.31%
15 Jamestown	C	7.00%	0.70%	0.00%	0.70%	0.94%	1.09%
16 Johnston	C	7.00%	1.35%	0.00%	1.35%	1.57%	1.99%
21 Newport	B	7.00%	0.28%	0.00%	0.28%	0.44%	0.45%
22 New Shoreham		6.00%	1.03%	0.99%	2.02%	1.74%	3.21%
23 North Kingstown		6.00%	1.65%	0.00%	1.65%	1.85%	1.75%
24 North Providence		6.00%	1.16%	0.00%	1.16%	0.76%	0.66%
25 North Smithfield		6.00%	2.88%	0.00%	2.88%	3.26%	3.03%
26 Pawtucket	C	7.00%	1.30%	0.00%	1.30%	1.38%	0.72%
29 Richmond		6.00%	1.27%	3.38%	4.65%	1.82%	1.88%
30 Scituate	B	7.00%	2.55%	0.00%	2.55%	2.08%	2.24%
31 Smithfield		6.00%	1.86%	0.00%	1.86%	1.98%	2.33%
32 South Kingstown		6.00%	1.32%	0.00%	1.32%	1.52%	1.38%
33 Tiverton		6.00%	2.75%	0.00%	2.75%	3.97%	3.34%
34 Warren		6.00%	1.19%	0.00%	1.19%	1.82%	1.73%
36 Westerly		6.00%	4.38%	50.43%	54.81%	44.89%	42.15%
37 West Greenwich		6.00%	4.27%	0.72%	4.99%	4.44%	4.68%
39 Woonsocket		6.00%	1.64%	0.00%	1.64%	1.82%	1.99%
40 Chariho School Dist.		6.00%	2.22%	0.00%	2.22%	2.28%	2.18%
41 Foster/Glocester	B	7.00%	5.63%	0.00%	5.63%	4.44%	4.82%
42 Tiogue Fire & Lighting	C	7.00%	1.96%	11.75%	13.71%	---	---
43 Narragansett Housing		6.00%	3.10%	2.47%	5.57%	---	---
44 Southern RI Collaborative	I	6.00%	0.00%	0.00%	0.00%	0.00%	0.00%
45 Coventry Lighting Dist.		6.00%	0.00%	42.68%	42.68%	53.44%	63.41%
46 Hope Valley Fire	C	7.00%	6.87%	14.78%	21.65%	24.03%	22.60%
51 Cranston Housing		6.00%	3.00%	0.00%	3.00%	3.11%	3.49%
52 East Providence Housing		6.00%	3.97%	0.00%	3.97%	2.71%	2.93%
53 Pawtucket Housing	B	7.00%	1.63%	0.00%	1.63%	1.57%	1.20%
56 Cumberland Housing		6.00%	2.60%	0.09%	2.69%	2.24%	2.51%
57 Lincoln Housing	B	7.00%	4.18%	0.00%	4.18%	4.66%	5.60%
59 Bristol Housing		6.00%	2.30%	0.00%	2.30%	2.34%	0.77%
65 Burrillville Housing		6.00%	3.57%	0.00%	3.57%	3.71%	3.23%
66 North Providence Housing	B	7.00%	4.61%	0.00%	4.61%	4.31%	4.84%
67 East Smithfield Water	C	7.00%	3.96%	9.38%	13.34%	6.12%	6.75%
68 Greenville Water		6.00%	0.00%	0.00%	0.00%	0.00%	0.00%
71 Warren Housing		6.00%	4.03%	0.00%	4.03%	3.71%	1.75%
72 Johnston Housing		6.00%	2.57%	0.00%	2.57%	4.29%	4.87%
79 Coventry Housing		6.00%	3.84%	0.00%	3.84%	4.10%	4.38%

Recommended Employer Contribution Rates

MUNICIPALITY	EMPLOYEE CONTRIBUTION	RATE	FISCAL 1997			Total Employer Rates for the Fiscal Years	
			EMPLOYER NORMAL COST	PAST SERVICE COST	TOTAL EMPLOYER RATE	1996	1995
83 West Warwick Housing		6.00%	3.32%	0.00%	3.32%	3.29%	3.11%
84 Smithfield Housing		6.00%	0.00%	0.00%	0.00%	0.00%	0.00%
96 Central Falls Housing		6.00%	3.56%	16.78%	20.34%	23.26%	25.50%
98 Lime Rock Administrative Svcs.		6.00%	0.00%	0.00%	0.00%	0.00%	0.00%
99 Central Falls Schools		6.00%	2.73%	3.45%	6.18%	5.84%	11.04%
100 Bristol/Warren Schools		6.00%	2.56%	0.00%	2.56%	2.89%	2.63%
Police and Fire							
42 Valley Falls Fire	D	8.00%	4.33%	24.85%	29.18%	23.76%	18.14%
46 Lime Rock Fire	1	7.00%	1.68%	2.06%	3.74%	3.74%	3.74%
47 North Smithfield Vol. Fire	D	8.00%	5.82%	0.00%	5.82%	5.97%	6.97%
50 East Greenwich Fire	D	8.00%	5.36%	0.00%	5.36%	5.39%	5.46%
54 East Greenwich Police	D	8.00%	4.93%	0.00%	4.93%	5.24%	5.02%
55 North Kingstown Fire	D	8.00%	4.68%	0.00%	4.68%	4.59%	4.69%
58 North Providence Police & Fire	D	8.00%	4.40%	0.00%	4.40%	4.41%	4.60%
60 Barrington Police	D	8.00%	4.54%	0.59%	5.13%	4.18%	2.94%
61 Barrington Fire		7.00%	3.34%	0.00%	3.34%	3.11%	3.17%
62 Warren Police	C,D	9.00%	6.56%	0.00%	6.56%	5.13%	5.65%
63 South Kingstown Police & Fire	C	8.00%	3.98%	0.00%	3.98%	3.68%	3.69%
64 Primrose Volunteer Fire	B,D	9.00%	7.41%	0.00%	7.41%	5.98%	5.57%
76 North Smithfield Police	D	8.00%	4.09%	0.00%	4.09%	4.22%	5.54%
77 Tiverton Fire	D	8.00%	3.05%	0.00%	3.05%	4.52%	4.54%
82 Foster Police	D	8.00%	3.26%	0.00%	3.26%	3.89%	3.44%
85 Woonsocket Police	C,D	9.00%	6.24%	0.00%	6.24%	6.29%	6.23%
86 Charlestown Police		7.00%	3.82%	0.00%	3.82%	3.78%	3.96%
87 Hopkinton Police	D	8.00%	3.15%	0.00%	3.15%	3.08%	5.05%
88 Gloucester Police	C,D	9.00%	4.92%	0.00%	4.92%	8.62%	6.48%
89 West Greenwich Police		7.00%	3.18%	0.00%	3.18%	2.85%	4.94%
90 Burrillville Police	C,D	9.00%	8.96%	0.00%	8.96%	8.64%	7.00%
91 Cumberland Police	D	8.00%	4.19%	0.00%	4.19%	4.54%	2.80%
92 Washington Fire		7.00%	3.12%	0.00%	3.12%	3.70%	4.54%
93 Woonsocket Fire	C,D,2	9.00%	6.14%	0.00%	6.14%	6.36%	7.11%
94 Bristol Fire		7.00%	6.40%	0.00%	6.40%	6.42%	6.42%
95 Cumberland Hill Fire	C,D	9.00%	7.05%	5.94%	12.99%	14.59%	5.01%
98 Coventry Fire		7.00%	2.71%	3.58%	6.29%	7.47%	10.74%
100 Tiogue Fire	C	7.00%	3.47%	6.67%	10.14%	10.59%	10.31%
101 North Cumberland	D	8.00%	3.32%	5.37%	8.69%	9.40%	8.20%
102 Central Coventry Fire		7.00%	3.39%	4.74%	8.13%	8.92%	10.72%
103 Hopkins Hill Fire		7.00%	2.63%	0.00%	2.63%	2.26%	3.33%
106 Cumberland Fire	D	8.00%	4.98%	9.83%	14.81%	18.99%	12.50%
107 Lincoln Rescue		7.00%	2.89%	4.99%	7.88%	8.83%	9.15%

NOTES

- B - Municipality has adopted COLA Plan B
- C - Municipality has adopted COLA Plan C
- D - Municipality has adopted the "20-year" optional Police & Fire Plan

- 1 - No data was reported for either Souther RI Collaborative or Lime Rock Fire.
- 2 - By special agreement, the Woonsocket Firefighters are currently contributing 8.0% of salary; please note that the above employer costs assume an employee contribution of 9.0%.

Liabilities and Funded Status as of June 30, 1994

MUNICIPALITY		ACTUARIAL VALUE OF ASSETS	TOTAL ACCRUED LIABILITY	VESTED LIABILITY	TOTAL UNFUNDED LIABILITY	UNFUNDED VESTED LIABILITY
General Employees						
1 Barrington		\$ 12,391,147	\$ 8,660,861	\$ 6,707,214	\$ 0	\$ 0
2 Bristol	B	8,585,604	6,516,629	4,892,906	0	0
3 Burrillville	C	8,801,300	7,081,763	4,726,624	0	0
4 Central Falls		713,815	2,806,032	1,966,705	2,092,217	1,252,890
5 Charlestown	C	296,721	1,026,875	670,333	730,154	373,612
7 Cranston	B	63,396,048	47,610,725	33,371,974	0	0
8 Cumberland		8,400,904	7,829,472	5,777,770	0	0
9 East Greenwich		9,239,463	6,172,211	4,696,574	0	0
10 East Providence	B	39,600,421	32,917,202	25,894,130	0	0
11 Exeter/West Greenwich		1,621,001	1,252,935	692,394	0	0
12 Foster		1,064,795	1,167,327	842,663	102,532	0
13 Glocester		1,282,416	1,197,452	884,858	0	0
14 Hopkinton		1,237,568	914,142	573,044	0	0
15 Jamestown	C	2,890,085	2,299,724	1,524,320	0	0
16 Johnston	C	16,153,755	13,858,611	10,275,960	0	0
21 Newport	B	25,000,703	23,543,916	16,091,077	0	0
22 New Shoreham		1,060,634	1,159,451	771,388	98,817	0
23 North Kingstown		14,316,069	11,756,879	8,841,840	0	0
24 North Providence		12,927,936	9,035,447	7,421,181	0	0
25 North Smithfield		6,073,725	3,872,659	3,072,958	0	0
26 Pawtucket	C	48,556,200	42,604,287	29,964,683	0	0
29 Richmond		398,339	524,312	352,582	125,973	0
30 Scituate	B	4,457,571	3,735,144	2,642,963	0	0
31 Smithfield		9,875,576	6,767,328	5,077,167	0	0
32 South Kingstown		13,475,886	9,189,947	6,045,788	0	0
33 Tiverton		6,300,113	4,394,210	3,578,024	0	0
34 Warren		3,833,665	3,678,935	3,276,529	0	0
36 Westerly		760,494	1,008,870	1,004,421	248,376	243,927
37 West Greenwich		504,288	530,110	383,473	25,822	0
39 Woonsocket		31,716,554	20,822,143	16,444,891	0	0
40 Chariho School Dist.		2,739,234	2,544,885	1,383,131	0	0
41 Foster/Glocester	B	1,309,100	1,235,781	750,212	0	0
42 Tiogue Fire & Lighting	C	4,877	12,409	3,684	7,532	0
43 Narragansett Housing		5,095	13,110	2,145	8,015	0
44 Southern RI Collaborative	1	1,754	0	591	0	0
45 Coventry Lighting Dist.		179,309	409,713	324,153	230,404	144,844
46 Hope Valley Fire	C	24,581	71,115	46,671	46,534	22,090
51 Cranston Housing		1,169,915	782,407	578,058	0	0
52 East Providence Housing		1,034,979	508,291	458,657	0	0
53 Pawtucket Housing	B	4,311,844	2,457,693	1,901,310	0	0
56 Cumberland Housing		547,394	549,020	459,587	1,626	0
57 Lincoln Housing	B	685,260	556,632	429,974	0	0
59 Bristol Housing		261,253	430,316	281,013	0	0
65 Burrillville Housing		249,200	86,396	55,830	0	0
66 North Providence Housing	B	408,407	232,861	146,188	0	0
67 East Smithfield Water	C	179,088	284,450	109,743	105,362	0
68 Greenville Water		402,022	300,903	182,080	0	0
71 Warren Housing		425,364	283,789	189,242	0	0
72 Johnston Housing		407,003	264,639	213,466	0	0
79 Coventry Housing		433,657	366,125	317,501	0	0

Liabilities and Funded Status as of June 30, 1994

		ACTUARIAL VALUE OF ASSETS	TOTAL ACCRUED LIABILITY	VESTED LIABILITY	TOTAL UNFUNDED LIABILITY	UNFUNDED VESTED LIABILITY	
MUNICIPALITY							
83	West Warwick Housing	\$391,405	\$367,143	\$236,527	\$0	\$0	
84	Smithfield Housing	83,685	62,983	67,602	0	0	
96	Central Falls Housing	570,213	1,109,714	974,967	539,501	404,754	
98	Lime Rock Administrative Svcs.	16,249	13,144	3,954	0	0	
99	Central Falls Schools	1,167,352	1,735,791	730,558	568,439	0	
100	Bristol/Warren Schools	5,186,541	2,368,461	1,310,507	0	0	
Police and Fire							
42	Valley Falls Fire	D	361,012	1,119,056	853,344	758,044	492,332
46	Lime Rock Fire	1	118,121	9,033	18,067	0	0
47	North Smithfield Vol. Fire	D	204,876	191,255	83,103	0	0
50	East Greenwich Fire	D	3,515,146	2,509,510	2,051,279	0	0
54	East Greenwich Police	D	4,606,932	2,535,142	2,040,945	0	0
55	North Kingstown Fire	D	10,770,727	8,718,273	7,257,599	0	0
58	North Providence Police & Fi	D	7,788,978	5,960,178	3,817,070	0	0
60	Barrington Police	D	3,654,371	3,702,421	3,234,254	48,050	0
61	Barrington Fire		6,085,541	4,226,169	4,188,399	0	0
62	Warren Police	C,D	3,523,526	3,115,496	2,403,001	0	0
63	South Kingstown Police & Fir	C	7,287,569	4,268,359	2,889,996	0	0
64	Primrose Volunteer Fire	B,D	776,800	536,260	271,697	0	0
76	North Smithfield Police	D	2,495,114	1,783,243	1,163,530	0	0
77	Tiverton Fire	D	3,239,951	2,233,290	1,800,853	0	0
82	Foster Police	D	680,451	394,149	265,599	0	0
85	Woonsocket Police	C,D	3,676,206	2,728,724	1,423,311	0	0
86	Charlestown Police		761,500	693,669	473,681	0	0
87	Hopkinton Police	D	622,513	364,856	241,515	0	0
88	Glocester Police	C,D	656,856	542,616	224,390	0	0
89	West Greenwich Police		399,238	332,086	207,245	0	0
90	Burrillville Police	C,D	1,869,901	1,199,815	937,556	0	0
91	Cumberland Police	D	463,664	245,219	127,920	0	0
92	Washington Fire		207,312	191,896	93,570	0	0
93	Woonsocket Fire	C,D,2	1,927,917	1,638,414	753,740	0	0
94	Bristol Fire		33,801	18,812	8,930	0	0
95	Cumberland Hill Fire	C,D	489,110	659,865	351,695	170,755	0
98	Coventry Fire		369,684	447,536	199,663	77,852	0
100	Tiogues Fire	C	85,621	185,647	68,998	100,026	0
101	North Cumberland	D	346,652	559,175	245,969	212,523	0
102	Central Coventry Fire		235,856	317,872	247,559	82,016	11,703
103	Hopkins Hill Fire		34,004	16,879	19,003	0	0
106	Cumberland Fire	D	248,580	467,299	362,625	218,719	114,045
107	Lincoln Rescue		133,224	304,907	84,151	171,683	0

NOTES

- B - Municipality has adopted COLA Plan B
- C - Municipality has adopted COLA Plan C
- D - Municipality has adopted the "20-year" optional Police & Fire Plan

- 1 - No data was reported for either Southern RI Collaborative or Lime Rock Fire.
- 2 - The above exhibit does not include the liabilities in respect of the closed South Kingstown Housing and Scituate Police units.

PENSION BENEFIT OBLIGATION

Pension Benefit Obligation as of June 30, 1994 by Plan

MUNICIPALITY		RETIREE AND INACTIVE LIABILITY	ACCUMULATED EMPLOYEE CONTRIBUTIONS	EMPLOYER FINANCED VESTED	EMPLOYER FINANCED NON-VESTED	TOTAL BENEFIT OBLIGATION
General Employees						
1 Barrington		\$4,565,600	\$1,367,400	\$774,200	\$1,080,900	\$7,788,100
2 Bristol	B	3,274,900	968,200	649,800	810,600	5,703,500
3 Burrillville	C	2,745,500	1,207,800	773,300	1,366,800	6,093,400
4 Central Falls		1,414,700	279,300	272,700	435,600	2,402,300
5 Charlestown	C	323,500	116,600	230,200	203,100	873,400
7 Cranston	B	16,995,700	8,188,800	8,187,400	7,688,200	41,060,100
8 Cumberland		3,821,200	1,310,600	646,000	1,289,700	7,067,500
9 East Greenwich		2,589,600	1,180,800	926,200	781,300	5,477,900
10 East Providence	B	19,358,000	4,216,800	2,319,300	3,903,700	29,797,800
11 Exeter/West Greenwich		272,200	272,300	147,900	332,900	1,025,300
12 Foster		442,400	216,200	184,100	143,900	986,600
13 Gloucester		610,500	271,000	3,400	157,500	1,042,400
14 Hopkinton		278,000	182,700	112,400	181,000	754,100
15 Jamestown	C	781,200	441,800	301,300	380,500	1,904,800
16 Johnston	C	5,719,000	1,844,700	2,712,200	2,074,600	12,350,500
21 Newport	B	9,437,700	3,605,600	3,047,700	3,993,900	20,084,900
22 New Shoreham		396,000	228,400	147,000	169,100	940,500
23 North Kingstown		5,689,100	2,198,900	953,800	1,470,900	10,312,700
24 North Providence		4,155,900	1,942,900	1,322,400	713,900	8,135,100
25 North Smithfield		1,846,200	683,000	543,800	442,300	3,515,300
26 Pawtucket	C	18,933,800	6,901,300	4,129,600	7,707,800	37,672,500
29 Richmond		133,700	82,400	136,500	82,000	434,600
30 Scituate	B	1,484,300	606,500	552,100	628,500	3,271,400
31 Smithfield		2,607,500	1,256,400	1,213,300	992,700	6,069,900
32 South Kingstown		2,750,300	2,196,300	1,099,200	1,560,000	7,605,800
33 Tiverton		2,260,300	700,700	617,000	469,600	4,047,600
34 Warren		2,825,800	257,400	193,300	231,200	3,507,700
36 Westerly		894,900	109,500	0	31,100	1,035,500
37 West Greenwich		286,100	97,400	0	87,500	471,000
39 Woonsocket		11,523,700	3,173,300	1,747,800	2,317,900	18,762,700
40 Chariho School Dist.		450,000	602,500	330,700	624,300	2,007,500
41 Foster/Glocester	B	424,100	240,900	85,200	350,000	1,100,200
42 Tiogue Fire & Lighting	C	0	700	3,000	4,700	8,400
43 Narragansett Housing		0	2,100	0	9,000	11,100
44 Southern RI Collaborative	I	0	0	0	0	0
45 Coventry Lighting Dist.		0	21,900	302,200	53,000	377,100
46 Hope Valley Fire	C	0	4,100	42,600	19,500	66,200
51 Cranston Housing		404,900	142,700	30,400	117,100	695,100
52 East Providence Housing		323,300	135,400	0	39,100	497,800
53 Pawtucket Housing	B	1,243,900	485,100	172,400	263,300	2,164,700
56 Cumberland Housing		396,400	56,300	6,900	42,300	501,900
57 Lincoln Housing	B	297,900	74,900	57,200	94,300	524,300
59 Bristol Housing		118,500	80,700	81,700	88,800	369,700
65 Burrillville Housing		0	34,500	21,400	11,300	67,200
66 North Providence Housing	B	61,100	75,000	10,100	41,500	187,700
67 East Smithfield Water	C	35,900	26,900	46,900	128,300	238,000
68 Greenville Water		71,200	64,600	46,300	67,600	249,700
71 Warren Housing		61,600	61,700	66,000	61,800	251,100
72 Johnston Housing		174,100	36,600	2,800	27,700	241,200
79 Coventry Housing		197,400	57,900	62,200	29,500	347,000

PENSION BENEFIT OBLIGATION

Pension Benefit Obligation as of June 30, 1994 by Plan

MUNICIPALITY		RETIREE AND INACTIVE LIABILITY	ACCUMULATED EMPLOYEE CONTRIBUTIONS	EMPLOYER FINANCED VESTED	EMPLOYER FINANCED NON-VESTED	TOTAL BENEFIT OBLIGATION	
83	West Warwick Housing	\$121,300	\$68,300	\$46,900	\$78,300	\$314,800	
84	Smithfield Housing	55,100	12,500	0	0	67,600	
96	Central Falls Housing	805,400	59,700	109,900	86,200	1,061,200	
98	Lime Rock Administrative Svcs.	0	4,000	0	2,100	6,100	
99	Central Falls Schools	195,800	234,600	300,200	630,900	1,361,500	
00	Bristol/Warren Schools	13,900	682,400	614,200	568,000	1,878,500	
Police and Fire							
42	Valley Falls Fire	D	489,400	61,300	302,600	177,300	1,030,600
46	Lime Rock Fire	1	9,000	9,000	0	0	18,000
47	North Smithfield Vol. Fire	D	100	59,500	23,500	71,100	154,200
50	East Greenwich Fire	D	1,621,900	336,100	93,300	303,800	2,355,100
54	East Greenwich Police	D	1,318,200	483,200	239,600	326,300	2,367,300
55	North Kingstown Fire	D	5,292,400	1,221,500	743,700	946,800	8,204,400
58	North Providence Police & Fir	D	1,283,800	1,363,900	1,169,300	1,536,800	5,353,800
60	Barrington Police	D	2,380,200	433,000	421,100	293,200	3,527,500
61	Barrington Fire		3,790,600	384,700	13,100	0	4,188,400
62	Warren Police	C,D	1,368,900	412,600	621,500	501,100	2,904,100
63	South Kingstown Police & Fir	C	1,192,600	952,400	745,000	945,900	3,835,900
64	Primrose Volunteer Fire	B,D	37,200	101,700	132,800	188,800	460,500
66	North Smithfield Police	D	331,800	357,400	474,400	470,300	1,633,900
67	Tiverton Fire	D	727,600	426,700	646,600	291,900	2,092,800
62	Foster Police	D	119,400	107,500	38,600	85,100	350,600
65	Woonsocket Police	C,D	332,600	998,300	92,400	773,600	2,196,900
66	Charlestown Police		316,200	157,500	0	160,800	634,500
67	Hopkinton Police	D	24,100	155,000	62,400	76,100	317,600
68	Glocester Police	C,D	72,200	152,100	0	245,000	469,300
69	West Greenwich Police		9,600	73,900	123,800	85,700	293,000
70	Burrillville Police	C,D	749,500	188,100	0	191,700	1,129,300
71	Cumberland Police	D	15,900	100,200	11,900	64,300	192,300
72	Washington Fire		6,200	66,600	20,800	62,500	156,100
73	Woonsocket Fire	C,D,2	67,200	680,700	5,900	530,800	1,284,600
74	Bristol Fire		0	8,900	0	9,300	18,200
75	Cumberland Hill Fire	C,D	0	73,700	278,000	218,100	569,800
78	Coventry Fire		70,200	68,500	61,000	173,200	372,900
80	Tiogue Fire	C	0	20,500	48,500	94,500	163,500
81	North Cumberland	D	5,200	78,200	162,600	206,000	452,000
82	Central Coventry Fire		10,400	53,800	183,400	42,700	290,300
83	Hopkins Hill Fire		5,700	13,300	0	0	19,000
86	Cumberland Fire	D	0	52,400	310,200	65,700	428,300
87	Lincoln Rescue		0	44,300	39,900	158,200	242,400

NOTES

B - Municipality has adopted COLA Plan B

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D - Municipality has adopted the "20-year" optional Police & Fire Plan

1 - No data was reported for either Southern RI Collaborative or Lime Rock Fire.

2 - The above exhibit does not include the liabilities in respect of the closed South Kingstown Housing and Scituate Police units.

Statistical Information

Employees' Retirement System

Municipal Employees' Retirement System

Distribution of State Employees in Active Service

Years of Service and Average Annual Earnings

Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19	2									2
20-24	18,864									18,864
25-29	151	22								173
	23,090	22,956								23,073
30-34	632	370	25							1,027
	26,352	26,138	24,064							26,220
35-39	517	676	350	46						1,589
	27,956	28,810	28,706	26,583						28,445
40-44	440	603	487	467	80					2,077
	28,109	30,124	31,908	30,010	30,175					30,092
45-49	346	501	404	595	461	50				2,357
	30,196	31,098	32,070	35,279	33,477	32,468				32,682
50-54	317	497	364	487	538	201	9			2,413
	28,602	29,232	32,613	37,394	41,579	40,267	34,966			35,000
55-59	196	358	344	297	300	166	41	4		1,706
	28,620	28,806	30,683	35,036	37,344	41,445	38,596	37,588		33,235
60-64	131	281	275	276	252	99	34	13		1,361
	28,818	28,021	30,144	32,266	32,256	36,839	47,450	37,349		31,388
65-69	59	181	191	228	192	83	20	12	6	972
	25,988	27,521	28,705	31,494	31,879	35,139	36,793	47,002	51,136	30,681
70-74	26	63	98	80	60	18	19	4	4	372
	29,165	30,093	27,026	31,792	30,812	38,464	39,257	51,496	29,952	30,803
75+	7	18	28	29	19	9	2	1	2	115
	24,768	22,005	23,916	30,871	27,375	27,602	52,381	35,728	48,285	27,304
TOTAL	4	6	13	19	2	1	1	2	2	47
Average Pay	2,828	3,576	2,579	2,524	1,904	626	126	36	12	14,211
	\$27,742	\$28,930	\$30,545	\$33,605	\$35,750	\$38,500	\$41,168	\$42,024	\$43,600	\$31,307

Distribution of Teachers in Active Service

Years of Service and Average Annual Earnings

Age	0-1	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19										0
20-24	81 19,526									81 21,468
25-29	468 26,414	139 32,363								607 27,542
30-34	315 29,706	398 36,091	38 40,266	14 27,943						765 33,606
35-39	263 32,215	415 38,240	204 42,298	181 42,785	16 45,698					1,079 38,377
40-44	401 32,266	527 40,084	213 42,130	709 41,789	717 45,392	28 47,707				2,595 41,001
45-49	279 36,251	435 41,850	158 44,771	323 44,858	1,397 45,922	741 47,034	10 46,253			3,343 44,679
50-54	119 39,020	218 42,519	73 43,979	191 44,925	328 46,123	590 47,508	177 47,968	7 45,026		1,703 45,615
55-59	38 39,419	92 44,544	44 44,921	86 45,584	158 46,395	156 47,471	116 50,729	33 48,157	3 45,771	726 46,611
60-64	19 40,935	33 42,719	20 46,189	42 45,520	78 46,053	55 47,194	19 46,539	25 50,160	9 46,768	300 45,898
65-69	3 43,379	6 43,326	5 43,887	21 45,759	38 45,442	32 46,707	16 47,136	8 48,330	11 50,378	140 46,335
70-74		1 44,455	1 67,342	4 41,303	8 43,848	6 48,075	3 51,510	4 43,301	4 51,630	31 46,790
75+		2 43,330	2 47,085	1 41,864	1 14,153				2 37,943	8 39,092
TOTAL	1,988 \$31,227	2,266 \$39,440	756 \$43,126	1,572 \$42,909	2,741 \$45,819	1,608 \$47,249	341 \$48,708	77 \$48,571	29 \$44,819	11,378 \$41,736

Distribution of Pensioners - State Employees

Number of Pensioners and Total Monthly Pensions Paid by Age

Age	Pension Type							Total by Age	Percent of Pensioners/ Average Pension
	Service Retirements	Beneficiaries	Legislator's Pension	Accidental Disabilities	Ordinary Disabilities				
< 30	0	2	0	5	0	7		0.08%	
	\$ 0	\$ 1,501	\$ 0	\$ 6,951	\$ 0	\$ 8,452	\$	1,207.43	
30-39	0	7	0	8	6	21		0.25%	
	0	5,517	0	11,260	2,822	19,599		933.29	
40-49	39	31	7	20	42	139		1.64%	
	73,698	16,684	7,000	26,096	20,777	144,255		1,037.81	
50-54	135	19	3	7	31	195		2.30%	
	316,471	17,678	2,835	5,576	18,268	360,828		1,850.40	
55-59	266	33	18	11	42	370		4.36%	
	676,633	30,589	15,362	12,265	26,202	761,051		2,056.89	
60-64	725	64	29	19	73	910		10.71%	
	1,055,818	52,399	28,112	19,872	38,283	1,194,484		1,312.62	
65-69	1,588	82	32	30	71	1,803		21.23%	
	1,594,873	61,074	28,829	21,958	33,311	1,740,045		965.08	
70-74	1,746	130	31	16	62	1,985		23.37%	
	1,456,330	80,303	33,305	11,167	28,276	1,609,381		810.77	
75-79	1,308	121	29	7	58	1,523		17.93%	
	946,874	78,808	28,295	3,886	21,225	1,079,088		708.53	
80-84	801	81	17	9	20	928		10.93%	
	551,160	60,493	16,512	5,890	7,490	641,545		691.32	
85-89	378	64	7	3	7	459		5.40%	
	234,731	40,690	7,592	2,473	1,797	287,283		625.89	
90-94	105	20	3	0	0	128		1.51%	
	59,366	12,699	2,790	0	0	74,855		584.80	
95-99	24	2	0	0	0	26		0.31%	
	14,118	1,610	0	0	0	15,728		604.92	
100+	0	0	0	0	0	0		0.00%	
	0	0	0	0	0	0		0.00	
Total	7,115	656	176	135	412	8,494		100.00%	
	\$ 6,980,072	\$ 460,045	\$ 170,632	\$ 127,394	\$ 198,451	\$ 7,936,594		934.38	

Distribution of Pensioners - Teachers

Number of Pensioners and Total Monthly Pensions Paid by Age

Age	Pension Type					Total by Age	Percent of Pensioners/ Average Pension
	Service Retirements	Beneficiaries	Accidental Disabilities	Ordinary Disabilities			
< 30	0	3	0	0	3		0.06%
	\$	\$	\$	\$	\$	\$	912.42
30-39	0	2,737	0	0	2,737		0.10%
	1	4	0	0	5		1,110.27
	2,430	3,122	0	0	5,551		0.90%
40-49	26	12	6	0	44		1,787.50
	58,506	9,680	10,465	0	78,650		6.23%
	267	13	5	20	305		2,523.83
50-54	723,432	15,586	8,602	22,149	769,769		10.96%
	504	12	4	17	537		2,916.78
55-59	1,527,626	13,318	6,612	18,753	1,566,310		15.78%
	722	26	5	20	773		2,356.92
60-64	1,755,880	30,188	10,175	25,654	1,821,897		17.58%
	806	26	5	24	861		1,883.40
65-69	1,558,019	28,755	8,910	25,921	1,621,605		14.64%
	664	24	4	25	717		1,526.96
70-74	1,038,587	27,120	5,094	24,033	1,094,834		12.35%
	559	24	2	20	605		1,313.99
75-79	754,090	21,137	2,466	17,272	794,965		9.98%
	455	24	0	10	489		1,302.96
80-84	604,767	23,734	0	8,646	637,147		7.92%
	370	15	0	3	388		1,217.83
85-89	459,735	10,725	0	2,057	472,517		2.72%
	120	10	0	3	133		1,151.68
90-94	145,056	5,813	0	2,305	153,174		0.67%
	28	4	0	1	33		1,084.86
95-99	32,700	1,933	0	1,167	35,801		0.10%
	5	0	0	0	5		1,431.35
100+	7,157	0	0	0	7,157		
Total	4,527	197	31	143	4,898		100.00%
	\$ 8,667,984	\$ 193,848	\$ 52,324	\$ 147,956	\$ 9,062,113	\$	1,850.17

The pertinent information for active employees and beneficiaries as of June 30, 1994, can be summarized as follows:

	<u>State Employees</u>		<u>Teachers</u>	
	<u>June 30, 1994</u>	<u>June 30, 1993</u>	<u>June 30, 1994</u>	<u>June 30, 1993</u>
<u>Active Employees</u>				
Number of Covered Employees	14,211	14,582	11,378	11,588
Average Annual Salary	\$31,300	\$29,800	\$41,700	\$40,000
Average Age (years)	44.7	44.0	44.8	44.2
Average Service (years)	11.8	11.1	15.5	14.8
Number of Vested Employees	7,628	7,372	7,290	7,335
Number of Employees Eligible for Retirement	1,309	1,261	1,268	1,053
<u>Pensioners</u>				
Number	7,838	7,860	4,701	4,706
Average Age	71.4	70.9	69.8	70.0
Average Monthly Benefit	\$954	\$917	\$1,886	\$1,815
<u>Beneficiaries</u>				
Number	656	619	197	215
Average Age	71.5	71.7	69.1	70
Average Monthly Benefit	\$701	\$669	\$984	\$1,097

Distribution of Municipal General Employees in Active Service

Years of Service and Average Annual Earnings

Age	Years of Service and Average Annual Earnings										Total	
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+			
0-19												0
20-24	52 \$16,868	3 20,846										55 17,085
25-29	146 19,686	114 22,551	2 26,034									262 20,981
30-34	140 20,300	198 22,611	42 23,463	9 23,046								389 21,888
35-39	258 17,858	263 21,177	85 24,340	51 25,412	12 21,908							669 20,648
40-44	280 17,622	312 20,929	245 16,696	99 27,673	69 25,619	19 25,661						1,024 20,053
45-49	187 18,508	299 19,460	161 20,816	83 24,960	66 29,039	31 32,865	6 30,672					833 21,388
50-54	126 20,305	223 19,922	147 20,845	109 24,350	87 24,481	32 29,413	8 30,604	6 24,901				738 21,904
55-59	79 19,001	167 21,303	102 22,604	127 22,123	87 20,908	42 25,219	15 29,398	2 23,969	7 22,607			628 21,814
60-64	53 19,800	155 20,380	73 21,502	77 21,890	75 22,027	39 19,325	4 22,185	1 37,104	2 30,844			479 20,995
65-69	19 14,734	56 17,120	33 21,470	44 21,707	33 19,515	23 18,078	3 13,824	6 29,808				217 19,273
70-74	1 27,857	9 10,419	6 20,596	13 17,586	16 19,808	13 13,961	1 12,012	1 1,750	3 25,303			63 16,856
75+	3 16,139	4 15,405	2 18,550	14 15,990	1 33,796	4 8,374	2 14,006					30 15,543
TOTAL	1,344 18,646	1,803 20,689	898 20,442	626 23,759	446 23,654	203 24,055	39 26,014	10 23,393	18 25,217			5,387 20,929

Distribution of Police and Fire in Active Service

Years of Service and Average Annual Earnings

Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19										0
20-24	34									34
	27,261									27,261
25-29	92	60	1							153
	28,371	31,916	15,212							29,675
30-34	60	90	22							172
	28,708	30,321	30,258							29,750
35-39	25	46	44	16	16					131
	29,328	31,013	32,237	32,594	36,262					31,296
40-44	9	9	18	18	21	4				70
	33,337	30,701	32,987	33,550	35,158	35,608				33,631
45-49	4	5	6	9	7	5	2			49
	31,370	36,205	34,121	29,792	34,906	44,040	46,966			33,874
50-54			3	6	7	2	1			23
			29,372	35,765	35,562	37,690	43,613			37,442
55-59	3	1	1	2	2		1			17
	36,557	48,688	49,546	26,573	34,928		54,992			36,999
60-64	1			1	1					5
	37,779			28,159	43,163					38,157
65-69		1								2
		45,489								44,326
70-74										0
75+										0
TOTAL	228	212	95	52	54	11	4			656
	28,797	31,235	31,952	32,489	35,645	40,240	48,134			31,200

Distribution of Municipal, Police & Fire Retirees and Beneficiaries

Number of Pensioners and Total Monthly Pensions Paid by Age

Age	Pension Type							Percent of Pensioners/ Average Pension
	Service Retirements	Beneficiaries	Accidental Disabilities	Ordinary Disabilities	Total by Age			
< 30	0	1	1	0	2			0.07%
	\$	\$	\$	\$	\$		\$	933
30-39	0	2	3	3	8			0.29%
	\$	\$	\$	\$	\$		\$	752
40-49	22	4	12	10	48			1.71%
	\$	\$	\$	\$	\$		\$	1,224
50-54	34,191	3,128	16,242	5,169	58,730			2.46%
	\$	\$	\$	\$	\$		\$	1,234
55-59	38	4	9	18	69			4.71%
	\$	\$	\$	\$	\$		\$	1,119
60-64	64,591	2,335	10,632	7,561	85,119			15.52%
	\$	\$	\$	\$	\$		\$	725
65-69	87	10	11	24	132			25.01%
	\$	\$	\$	\$	\$		\$	598
70-74	120,883	6,421	10,571	9,891	147,766			23.69%
	\$	\$	\$	\$	\$		\$	446
75-79	371	26	12	26	435			14.34%
	\$	\$	\$	\$	\$		\$	342
80-84	283,775	14,433	9,588	7,747	315,543			8.28%
	\$	\$	\$	\$	\$		\$	265
85-89	645	26	9	21	701			2.82%
	\$	\$	\$	\$	\$		\$	268
90-94	392,705	11,577	8,607	6,271	419,160			0.96%
	\$	\$	\$	\$	\$		\$	170
95+	612	25	9	18	664			0.14%
	\$	\$	\$	\$	\$		\$	120
	279,063	7,234	5,469	4,651	296,417			
	\$	\$	\$	\$	\$		\$	
	367	25	4	6	402			
	\$	\$	\$	\$	\$		\$	
	127,043	7,117	1,997	1,204	137,361			
	\$	\$	\$	\$	\$		\$	
	215	15	0	2	232			
	\$	\$	\$	\$	\$		\$	
	55,719	5,421	0	425	61,565			
	\$	\$	\$	\$	\$		\$	
	75	4	0	0	79			
	\$	\$	\$	\$	\$		\$	
	19,736	1,410	0	0	21,146			
	\$	\$	\$	\$	\$		\$	
	26	0	0	1	27			
	\$	\$	\$	\$	\$		\$	
	4,541	0	0	56	4,597			
	\$	\$	\$	\$	\$		\$	
	3	0	0	1	4			
	\$	\$	\$	\$	\$		\$	
	422	0	0	56	478			
	\$	\$	\$	\$	\$		\$	
Total	2,461	142	70	130	2,803			100.00%
	\$	\$	\$	\$	\$		\$	555
	1,382,669	60,017	69,080	43,995	1,555,761			
	\$	\$	\$	\$	\$		\$	

A summary of the key employee statistics as of June 30, 1994 is as follows:

	<u>General Employees</u>		<u>Police and Fire</u>	
	<u>June 30, 1994</u>	<u>June 30, 1993</u>	<u>June 30, 1994</u>	<u>June 30, 1993</u>
Number of Covered Employees	5,387	5,508	656	703
Average Annual Salary	\$20,900	\$19,800	\$31,200	\$29,000
Average Age (years)	46.9	46.2	35.2	34.7
Average Service (years)	10.0	9.6	9.1	8.4
Number of Vested Employees 1,992	1,909		213	219
Number of Employees Eligible for Retirement	615	594	59	57
		<u>June 30, 1994</u>		<u>June 30, 1993</u>
Pensioners				
Number		2,661		2,599
Average Age		70.2		69.9
Average Monthly Benefit		\$ 562		\$ 533
Beneficiaries				
Number		142		121
Average Age		69.0		68.9
Average Monthly Benefit		\$ 423		\$ 406



"It is the express intention of the legislature by the passage of this chapter to provide an actuarially financed retirement system for municipal employees, properly integrated with the federal Social Security Act, to the end that adequate benefits may be established for the employees of any municipality who become superannuated or other incapacitated while in service, and whereby the employees may be assisted in accumulating reserves for themselves and their dependents to satisfactorily meet the conditions incident to old age, death, disability, and termination of the employees, in the interest of maintaining and promoting efficiency and economy in the administration of government."

----- Section One of Chapter 2784 of the Public Laws of 1951