

REPORT OF THE ACTUARY

A valuation of the assets and liabilities of the Municipal Employees' Retirement System was completed as of June 30, 1963. The results thereof disclose satisfactory progress in operations. The benefits and obligations under the system are financed on a full funded basis. Rates of employee and employer contributions reflect the full actuarial reserve requirements for the prescribed benefit schedule as amended.

A test of the solvency of the Retirement Reserve reflecting the equities of members on retirement indicates a favorable condition. A summary of the several factors pertinent to those on retirement and in receipt of payments is as follows:

	<u>Male</u>	<u>Female</u>
Number on pension roll	67	13
Annual payments	\$56,593.27	\$11,844.44
Average annual payment	\$844.67	\$911.11
Average age	69.4	69.3
Actuarial reserve re- quirements	\$545,447.00	\$126,538.00

The actuarial reserve requirements on account of the foregoing pensioners amounted to \$671,985.00. This compares with the balance in the Retirement Reserve at June 30, 1963 of \$734,300.99. This illustrates the financial solvency of the system in respect to full reserve coverage of retirement allowances entered upon.

OBLIGATIONS OF MUNICIPALITIES

The obligations of the participating municipalities consist of (a) the accrued liability for service rendered by the members prior to the effective date of the membership in the system, commonly referred to as "prior service" cost, and (b) the accruing cost for current service otherwise called the "normal cost" or "current service" cost.

The prior service liability was computed in the case of each municipality prior to its participation in the system upon the basis of the service rendered by the expected membership. A prior service contribution rate was fixed as a percentage of payroll to provide for the amortization of the accrued liability over a period of 25 years from the effective date of participation.

The normal cost or current service cost was calculated upon the basis of total membership giving effect to the peculiar characteristics of the service of the particular municipality. This rate was also fixed as a percentage of total payroll which is to be applied by each municipality in determining the amount of its contributions to the system.

The prior service and normal rates of contribution are given below for the several participating municipalities reflecting the law in force at July 1, 1963.

<u>Municipal Code No.</u>	<u>Name of Municipality</u>	<u>Prior Service Contribution Rate</u>	<u>Current Service Rate</u>
01	Barrington	3.20%	6.37%
02	Bristol	2.73	7.52
09	East Greenwich	3.88	5.98
10	East Providence	3.48	4.87
23	North Kingstown	2.34	5.54
24	North Providence	3.83	4.93
26	Pawtucket	4.50	4.55
31	Smithfield	2.33	5.51
32	South Kingstown	1.12	6.09
34	Warren	3.86	5.02
39	Woonsocket	5.18	3.27

In budgeting for the amounts to be contributed to the retirement system for any fiscal year, each municipality should apply the aforesaid rates to the prospective payroll for the year for which the budget is prepared. Thus, sufficient funds will be provided to meet the liability for pension cost to the retirement system on account of the employees who render service during the year in question at the prescribed rates of salary.

The foregoing rates are applicable for fiscal years beginning July 1, 1963.

GENERAL

Operations of the system are being reviewed periodically as a check of the indicated basic trend. This is one of the purposes of the annual actuarial valuation. Such a check is particularly important in view of the changes that are made in the law from time to time without advance provision for increases in cost which such changes generally occasion.

The system is developing satisfactorily. In the case of three municipalities, the reserve accounts reflecting the municipality obligations show deficiencies. This, however, is not a cause for immediate concern. Such condition is not unusual at the inception of coverage. It may be attributed to the immediate retirement of aged employees who had been waiting for the extension of coverage in the system to the municipality. Once this initial aged group has retired, the employer's reserve accounts should show improvement with a lessening of the drain from that source and in time the deficiencies should be eliminated. A condition of complete solvency should then set in which should be continuously maintained if the contribution rates for the municipalities reflect substantial adequacy to meet the accruing obligations of the system.

A. A. Weinberg
Actuary

FINANCIAL STATEMENTS

FINANCIAL BALANCE SHEET

JUNE 30, 1963

ASSETS

Cash		\$ 24,805.15
Accounts receivable -		
Municipality contributions		392,378.93
Investments -		
Bonds at par value	\$533,000.00	
Stocks at cost	<u>348,582.72</u>	<u>881,582.72</u>
Total Assets		<u>\$1,298,766.80</u>

RESERVES

Members' Contribution Reserve		\$ 463,303.34
Employers' Accumulation Reserve		101,162.47
Retirement Reserve		<u>734,300.99</u>
Total Reserves		<u>\$1,298,766.80</u>

Statement of Cash Receipts and Disbursements
Fiscal Year Ended June 30, 1963

Cash Balance July 1, 1962 \$ 7,162.90

Receipts:

Contributions of Members	\$224,058.76	
Income from Investments	32,251.90	
Sale of Investments	<u>45,000.00</u>	
Total Receipts		<u>301,310.66</u>
Total Cash Available		<u>\$308,473.56</u>

Disbursements:

Service Retirement Allowances	\$ 57,391.30	
Death Benefits - Ordinary	8,577.28	
Death Retirement Allowances	1,333.45	
Investments	198,808.55	
Premiums on Investments	907.35	
Accrued Interest paid	559.88	
Commissions, Postage, Insurance	27.58	
Refunds of Contributions	16,053.02	
Bank Charge	<u>10.00</u>	
Total Disbursements		<u>\$283,668.41</u>
Cash Balance June 30, 1963		<u>\$ 24,805.15</u>

Statement of Reserve Allocations
Fiscal Year Ended June 30, 1963

	<u>Members' Reserve</u>	<u>Employers' Reserve</u>	<u>Retirement Reserve</u>
Fund Balance July 1, 1962	\$263,642.03	\$ 81,926.04	\$389,369.00
<u>Revenues:</u>			
Members' Contributions	\$224,058.76		
Municipalities' Contributions		\$392,378.93	
Transfers from Members' Reserve			\$ 8,344.43
Transfers from Employers' Reserve			<u>364,565.22</u>
Total Revenues	<u>\$224,058.76</u>	<u>\$392,378.93</u>	<u>\$372,909.65</u>
Total available	<u>\$487,700.79</u>	<u>\$474,304.97</u>	<u>\$762,278.65</u>
<u>Expenditures:</u>			
Bank Charge			\$ 10.00
Refunds of Members' Contributions	\$ 16,053.02		
Benefits Paid:			
Death Retirement Allowances			1,333.45
Monthly Retirement Allowances			57,391.30
Ordinary Death Benefits		\$ 8,577.28	
Transfers to Retirement Reserve	<u>8,344.43</u>	<u>364,565.22</u>	
Total Expenditures	<u>\$ 24,397.45</u>	<u>\$373,142.50</u>	<u>\$ 58,734.75</u>
Fund Balance Before Transfer of Income	\$463,303.34	\$101,162.47	\$703,543.90
Plus: Net Investment Income			<u>30,757.09</u>
Fund Balance June 30, 1963	<u><u>\$463,303.34</u></u>	<u><u>\$101,162.47</u></u>	<u><u>\$734,300.99</u></u>

Statement of Reserve Allocations

Fiscal Year Ended June 30, 1963

(continued)

	<u>Members'</u> <u>Reserve</u>	<u>Employers'</u> <u>Reserve</u>	<u>Retirement</u> <u>Reserve</u>
<u>Allocation of Fund Balance:</u>			
Barrington	\$ 76,415.19	\$ 72,406.62	
Bristol	29,726.69	34,756.06	
East Greenwich	24,548.73	29,735.25	
East Providence	71,741.67	15,952.91	
North Kingstown	63,059.16	26,408.93*	
North Providence	22,048.92	8,346.94	
Pawtucket	66,174.83	18,394.07	
Smithfield	20,018.99	24,164.90	
South Kingstown	29,944.45	46,047.36	
Warren	23,663.83	4,542.52*	
Woonsocket	<u>35,960.88</u>	<u>117,690.19*</u>	
Totals	<u>\$463,303.34</u>	<u>\$101,162.47</u>	<u>\$734,300.99</u>

*Denotes deficit. This is a temporary deficiency which will in all probability be removed with further experience of the system. It is due principally to the retirement of aged employees at the inception of coverage.

Summary of Investments

<u>Type</u>	<u>Par Value (or Cost)</u>	<u>Per Cent of Total at June 30, 1963</u>	<u>Per Cent of Total at June 30, 1962</u>
U. S. Government	\$198,000.00	22.5%	17.2%
Consolidated Federal Farm Loan	20,000.00	2.3	2.1
International Bank	25,000.00	2.8	3.4
State and Municipal	25,000.00	2.8	3.4
Public Utility Bonds and Debentures	235,000.00	26.7	33.7
Other Bonds and Debentures	30,000.00	3.4	4.1
Common Stocks	<u>348,582.72</u>	<u>39.5</u>	<u>36.1</u>
Totals	<u>\$881,582.72</u>	<u>100.0%</u>	<u>100.0%</u>