

REPORT OF THE ACTUARY

For the Fiscal Year Ended June 30, 1964

A valuation of the assets and liabilities of the Municipal Employees' Retirement System was completed as of June 30, 1964. The results disclosed satisfactory progress in operations. Rates of employee and employer contributions reflect actuarial reserve requirements for the prescribed benefits in force at the date of valuation.

A test of the solvency of the Retirement Reserve reflecting the reserves on account of members on retirement indicates a sound condition. A summary of the several factors pertinent to the retired members is as follows:

| | <u>Male</u> | <u>Female</u> |
|--------------------------------|----------------|---------------|
| Number on pension roll | 131 | 23 |
| Annual payments | \$145,374.71 | \$21,186.27 |
| Average annual payment | \$1,109.73 | \$921.14 |
| Average age | 69.5 | 69.3 |
| Actuarial reserve requirements | \$1,448,309.00 | \$240,146.00 |

The actuarial reserve requirements on account of the foregoing pensioners amounted to \$1,688,455.00. This compares with the balance in the Retirement Reserve at June 30, 1964 of \$1,770,323.75. This illustrates the financial solvency of the system in respect to full reserve coverage of retirement allowances entered upon according to the applicable mortality standards.

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 participation in the system, referred to as "prior service", and (b) the accruing cost for future service commonly referred to as "normal" 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 or current service cost was calculated upon the basis of total membership giving effect to the peculiar service characteristics 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 June 30, 1964. The rates have been revised to give effect to the increase in cost occasioned by the two

⁵ 1964 amendments providing for upward changes in benefits.

| <u>Municipal Code No.</u> | <u>¹⁹⁶⁵ Name of Municipality</u> | <u>Prior Service Contribution Rate</u> | <u>Current Service Rate</u> | |
|---------------------------|---------------------------------------------|----------------------------------------|-----------------------------|-------|
| 01 | Barrington | 3.30% | 6.69% | 9.99% |
| 02 | Bristol | 2.83 | 7.78 | |
| 07 | Cranton | 5.05 | 6.40 | |
| 09 | East Greenwich | 3.90 | 6.19 | |
| 10 | East Providence | 4.08 | 4.87 | |
| 15 | *Jamestown | 3.27 | 6.97 | |
| 23 | North Kingstown | 2.44 | 5.77 | |
| 24 | North Providence | 3.88 | 5.14 | |
| 25 | *North Smithfield | 3.57 | 7.06 | |
| 26 | Pawtucket | 4.53 | 4.76 | |
| 31 | Smithfield | 2.33 | 5.75 | |
| 32 | South Kingstown | 1.15 | 6.32 | |
| 33 | *Tiverton | 6.88 | 6.08 | |
| 34 | Warren | 3.86 | 5.02 | |
| 39 | Woonsocket | 5.18 | 3.27 | |

*Participation effective July 1, 1964.

In determining the amounts to be contributed to the retirement system for any fiscal year for budget purposes, each municipality should apply the aforesaid rates to the prospective payroll for the year for which the budget is prepared. Thus, sufficient monies will be provided in the budgets to

meet the liability to the retirement system on account of the employees who render service during the year in question at the prescribed rates of salary.

CONCLUSION

The operations of the system are being evaluated annually as a check of basic trends and as a means of detecting any unfavorable developments. This is one of the purposes of the 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 basic changes generally entail.

The system is operating satisfactorily. In the case of three municipalities, the reserve accounts reflecting the municipality contributions show deficiencies. This, however, is not a cause for immediate concern. Such condition is not unusual at the inception of coverage. As previously pointed out, this 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. In time, therefore, the deficiencies should be completely 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, 1964

ASSETS

| | |
|--------------|-----------------------|
| Cash | \$ 184,646.04 |
| Investments | <u>2,031,819.60</u> |
| Total Assets | <u>\$2,216,465.64</u> |

RESERVES

| | |
|---------------------------------|-----------------------|
| Members' Contribution Reserve | \$ 808,302.45 |
| Employers' Accumulation Reserve | - 301,160.56 |
| Retirement Reserve | <u>1,709,323.75</u> |
| Total Reserves | <u>\$2,216,465.64</u> |

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1964

CASH BALANCE JULY 1, 1963 \$ 24,805.15

RECEIPTS:

| | | |
|----------------------------------------|---------------|------------------------------|
| Member Contributions | \$ 396,951.42 | |
| Municipal Contributions | 1,065,121.34 | |
| Investment Earnings | 60,755.79 | |
| Discount on Purchase of Investments | 4,492.79 | |
| Miscellaneous Refunds | <u>5.23</u> | |
| Total Receipts | | <u>1,527,326.57</u> |
| Total Cash Available | | <u><u>\$1,552,131.72</u></u> |

DISBURSEMENTS:

| | | |
|-----------------------------------------------------|-----------------|-----------------------------|
| Purchase of Investments | \$1,150,236.88 | |
| Accrued Interest Paid on Purchase of Investments | 11,411.05 | |
| Premium Paid on Purchase of Investments | 2,150.01 | |
| Postage and Insurance on Purchase of Investments | 221.31 | |
| Monthly Pension Benefits | 141,351.70 | |
| Death Retirement Allowances | 3,103.70 | |
| Ordinary Death Benefits | 20,788.48 | |
| Refunds of Contributions: | | |
| Employees | 32,640.51 | |
| Municipal | <u>5,582.04</u> | |
| Total Disbursements | | <u>\$1,367,485.68</u> |
| CASH BALANCE JUNE 30, 1964 | | <u><u>\$ 184,646.04</u></u> |

STATEMENT OF RESERVE ALLOCATIONS
FISCAL YEAR ENDED JUNE 30, 1964

| | <u>Members'</u> <u>Reserve</u> | <u>Employers'</u> <u>Reserve</u> | <u>Retirement</u> <u>Reserve</u> |
|--------------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|
| Reserve Balances - July 1, 1963 | \$463,303.34 | -\$291,216.46 | \$ 734,300.99 |
| <u>Revenues:</u> | | | |
| Members' Contributions | \$396,951.42 | | |
| Municipalities' Con- tributions | | \$1,065,121.34 | |
| Transfers from Members' Reserve | | | \$ 119,317.03 |
| Transfers from Employers' Reserve | | | 1,049,228.91 |
| Transfer from Retirement Reserve | | 533.99 | |
| Other | 5.23 | | |
| Total Revenues | \$396,956.65 | \$1,065,655.33 | \$1,068,545.94 |
| Total Available | \$860,259.99 | \$ 774,438.87 | \$1,802,846.93 |
| <u>Expenditures:</u> | | | |
| <u>Refunds:</u> | | | |
| Members' Contributions | \$ 32,640.51 | | |
| Employers' Contributions | | \$ 5,582.04 | |
| <u>Benefits Paid:</u> | | | |
| Death Retirement Allowances | | | \$ 3,103.70 |
| Retirement Allowances | | | 141,351.70 |
| Ordinary Death Benefits | | 20,788.48 | |
| <u>Transfers:</u> | | | |
| To Retirement Reserve | 19,317.03 | 1,049,228.91 | |
| To Employers' Reserve | | | 533.99 |
| Total Expenditures | \$ 51,957.54 | \$1,075,599.43 | \$ 144,989.39 |
| Reserve Balance Before Credit of Income | \$808,302.45 | -\$ 301,160.56 | \$1,657,857.54 |
| Net Investment Income | | | 51,466.21 |
| Reserve Balances June 30, 1964 | \$808,302.45 | -\$ 301,160.56 | \$1,709,323.75 |

STATEMENT OF RESERVE ALLOCATIONS
FISCAL YEAR ENDED JUNE 30, 1964

| | <u>Members' Contribution Reserve</u> | <u>Employers' Contribution Reserve</u> | <u>Retirement Reserve</u> |
|------------------------------------|----------------------------------------------|------------------------------------------------|-------------------------------|
| <u>Allocation of Fund Balance:</u> | | | |
| Barrington | \$101,167.66 | \$ 54,431.26 | |
| Bristol | 36,925.84 | 54,117.77 | |
| Cranston | 80,074.21 | 196,267.20* | |
| East Greenwich | 34,260.21 | 45,660.78 | |
| East Providence | 106,700.74 | 53,946.30 | |
| North Kingstown | 85,624.16 | 1,701.01 | |
| North Providence | 39,287.95 | 17,911.05 | |
| Pawtucket | 161,002.53 | 187,428.91* | |
| Smithfield | 26,734.87 | 26,380.82 | |
| South Kingstown | 41,575.92 | 61,706.91 | |
| Warren | 26,851.78 | 15,360.53* | |
| Woonsocket | 68,096.58 | 217,959.82* | |
| Totals | <u>\$808,302.45</u> | <u>- \$301,160.56</u> | <u>\$1,709,323.75</u> |

*Denotes deficit. This is a temporary deficiency which will be removed by continued operations of the system. It is due principally to the retirement of aged employees at the inception of coverage.