

REPORT OF THE ACTUARY

For the Fiscal Year Ended June 30, 1965

The several basic factors that are generally illustrative of the progress of a retirement system indicate that the Municipal Employees' Retirement System is showing definite improvement in its financial condition. All such factors point towards constructive and sound progress.

A valuation of the system was completed as of June 30, 1965. The results were satisfactory. Revenues at the prescribed rates reflect actuarial reserve requirements for the benefit schedule in effect at the date of valuation.

Reserves maintained for members on retirement indicate a financially sound condition. The several factors pertinent to the retired members are as follows:

	<u>Male</u>	<u>Female</u>
Number on pension roll	179	34
Annual payments	\$210,134.44	\$34,534.37
Average annual payment	\$1,173.94	\$1,015.72
Average age	68.7	69.3
Actuarial reserve requirements	\$2,113,721.00	\$391,692.00

The actuarial reserve requirements on account of the foregoing pensioners amounted to \$2,505,413.00. This compares with the balance in the Retirement Reserve at June 30, 1965 of \$2,729,359.59. This illustrates financial solvency in respect to the reserve requirements for the retirement allowances entered upon according to the applicable mortality standards.

OBLIGATIONS OF MUNICIPALITIES

In subscribing to coverage in the system for their employees, the participating municipalities have assumed certain obligations. These obligations 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 liability for prior service in the case of each municipality was determined prior to its participation in the system upon the basis of the service rendered by the assumed membership. A prior service contribution rate was fixed as a percentage of payroll which would amortize the accrued liability over a period of 25 years from the effective date of participation.

The current service or normal cost was calculated upon the basis of total membership, giving effect to the service characteristics

of each municipality. This rate also was 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 for such service, additional to the amortization payment on account of the accrued liability.

The prior service and current service rates of contribution are given below for the several participating municipalities, reflecting the law in force at June 30, 1965.

<u>Municipal Code No.</u>	<u>Name of Municipality</u>	<u>Prior Service Contribution Rate</u>	<u>Current Service Rate</u>	<u>Unfunded Accrued Liability</u>
1	Barrington	3.30%	6.69%	223,633
2	Bristol	2.83	7.78	47,127
7	Cranston	5.05	6.40	1,233,271
9	East Greenwich	3.90	6.19	66,991
10	East Providence*	4.08	4.87	520,736
15	Jamestown	3.27	6.97	43,410
23	North Kingstown	2.44	5.77	115,434
24	North Providence	3.88	5.14	188,937
25	North Smithfield	3.57	7.06	70,994
26	Pawtucket	4.53	4.76	2,071,895
31	Smithfield	2.33	5.75	45,976
32	South Kingstown	1.15	6.32	37,755
33	Tiverton	6.88	6.08	203,904
34	Warren*	3.86	5.02	88,861
39	Woonsocket*	5.18	3.27	<u>866,957</u>
			Total	<u>\$5,825,881</u>

*Subject to lower level of benefits and rates of contribution in effect prior to July 1, 1963.

Each municipality is required to apply the aforesaid rates to the prospective payroll for the year for which the budget is prepared. By this process, sufficient monies will be provided in the annual budgets to meet the municipality's liability to the retirement system for service rendered by employees during the year in question at the prescribed rates of salary.

CONCLUSION

Operations of the system are being checked and evaluated annually as a means of detecting any unfavorable developments and determining basic trends. This is one of the purposes of the actuarial valuation. A periodic check is particularly important in view of the changes that are made in the law without advance provision for cost increases and in the light of possible revisions in local personnel policies and conditions.

The system is making satisfactory progress. In the case of several municipalities, the reserve accounts for the municipality contributions show deficiencies. This condition, however, is not a cause for immediate concern. It is not unusual at the inception of coverage to show a negative balance in reserves. As has been pointed out, it is due to the immediate retirement of aged employees who had been waiting for coverage in the system by the employing municipality.

Once this initial aged group is on retirement, there will be a lessening of the drain from that source and the employer's reserve accounts should begin to show a gradual improvement. In time, therefore, the deficiencies will be completely eliminated. A condition of complete solvency should then set in. This should be continuously maintained under the established contribution rates for the municipalities because they reflect substantial adequacy to meet all obligations of the system, both accrued and prospective.

A. A. Weinberg
Actuary

FINANCIAL BALANCE SHEET

JUNE 30, 1965

ASSETS

Cash	\$ 51,099.45
Investments	<u>3,119,888.30</u>
Total Assets	<u><u>\$3,170,987.75</u></u>

RESERVES

Members' Contribution Reserve	\$1,174,973.86
Employers' Accumulation Reserve	- 733,345.70
Retirement Reserve	<u>2,729,359.59</u>
Total Reserves	<u><u>\$3,170,987.75</u></u>

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

FISCAL YEAR ENDED JUNE 30, 1965

CASH BALANCE JULY 1, 1964 \$ 184,646.04

RECEIPTS:

Investments Sold or Matured	\$	71,000.00		
Investment Earnings		100,368.23		
Discounts on Investments Purchased		25,623.03		
Gains or Losses on Investments Sold		- 25.00	\$	196,966.26
Members' Contributions				453,822.61
Municipalities' Contributions				772,496.75
Unclaimed Benefits				<u>1,064.80</u>
 Total Receipts				 <u>1,424,350.42</u>
 Total Cash Available				 <u>\$1,608,996.46</u>

DISBURSEMENTS:

Investments Purchased	\$1,159,068.70			
Accrued Interest	10,126.22			
Premium Paid	10,995.00			
Postage and Insurance	<u>68.35</u>	1,180,258.27		
 Monthly Pension Benefits	 242,360.25			
Death Retirement Allowances	<u>6,008.18</u>	248,368.43		
Ordinary Death Benefits		71,800.00		
Refunds of Contributions:				
Employees	50,234.93			
Municipalities	<u>6,170.58</u>	56,405.51		
Unclaimed Benefits		<u>1,064.80</u>		
 Total Disbursements				 <u>\$1,557,897.01</u>

CASH BALANCE JUNE 30, 1965 \$ 51,099.45

STATEMENT OF RESERVE ALLOCATIONS

FISCAL YEAR ENDED JUNE 30, 1965

	<u>Members'</u> <u>Reserve</u>	<u>Employers'</u> <u>Reserve</u>	<u>Retirement</u> <u>Reserve</u>
Reserve Balances - July 1, 1964	\$808,302.45	-\$301,160.56	\$1,709,323.75
<u>Revenues:</u>			
Members' Contributions	\$453,822.61		
Municipalities' Con- tributions		\$772,496.75	
Transfers from Members' Reserve			\$ 36,916.27
Transfers from Employers' Reserve			<u>1,126,711.31</u>
Total Revenues	<u>\$453,822.61</u>	<u>\$772,496.75</u>	<u>\$1,163,627.58</u>
Total Available	<u>\$1,262,125.06</u>	<u>\$471,336.19</u>	<u>\$2,872,951.33</u>
<u>Expenditures:</u>			
Refunds:			
Members' Contributions	\$ 50,234.93		
Employers' Contribu- tions		\$ 6,170.58	
Benefits Paid:			
Death Retirement Allowances			\$ 6,008.18
Retirement Allowances			242,360.25
Ordinary Death Benefits		71,800.00	
Transfers:			
To Retirement Reserve	<u>36,916.27</u>	<u>1,126,711.31</u>	
Total Expenditures	<u>\$ 87,151.20</u>	<u>\$1,204,681.89</u>	<u>\$ 248,368.43</u>
Reserve Balance Before Credit of Income	\$1,174,973.86	-\$ 733,345.70	\$2,624,582.90
Net Investment Income			<u>104,776.69</u>
Reserve Balances - June 30, 1965	<u>\$1,174,973.86</u>	<u>-\$ 733,345.70</u>	<u>\$2,729,359.59</u>

STATEMENT OF RESERVE ALLOCATIONS
FISCAL YEAR ENDED JUNE 30, 1965

	<u>Members'</u> <u>Contribution</u> <u>Reserve</u>	<u>Employers'</u> <u>Contribution</u> <u>Reserve</u>	<u>Retirement</u> <u>Reserve</u>
<u>Allocation of Fund Balance:</u>			
Barrington	\$ 126,677.84	\$ 10,620.46	\$ 211,554.65
Bristol	43,000.67	27,689.79	72,617.91
Cranston	156,205.62	* 211,578.61	487,053.05
East Greenwich	41,833.70	23,155.04	45,915.44
East Providence	143,070.14	110,341.47	202,467.03
Jamestown	3,563.96	7,392.65	220.03
North Kingstown	112,036.36	* 30,286.77	173,428.53
North Providence	54,274.23	7,176.93	80,039.82
North Smithfield	6,464.63	4,669.15	7,380.30
Pawtucket	252,747.78	* 457,763.50	797,894.01
Smithfield	36,441.33	39,191.13	15,835.05
South Kingstown	54,193.49	76,763.63	19,909.11
Tiverton	7,258.00	* 133,131.36	148,577.83
Warren	28,952.11	* 36,572.76	114,972.36
Woonsocket	108,254.00	* 171,012.95	351,494.47
Totals	<u>\$1,174,973.86</u>	<u>-\$ 733,345.70</u>	<u>\$2,729,359.59</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 shortly after the inception of coverage.