

REPORT OF THE ACTUARY

Fiscal Year Ended June 30, 1968

The results of a valuation of the System completed as of June 30, 1968 are presented herein. The System is making steady progress in its operations and is gradually strengthening its position.

PENSION ROLL

The pension roll at the close of the year was as follows:

	<u>Male</u>	<u>Female</u>
Number on pension roll	319	55
Annual payments	\$ 435,462.84	\$ 66,546.01
Average annual payment	\$1,365.09	\$1,209.93
Average age	69.3	68.9
Actuarial reserve requirements	\$4,331,688.00	\$765,896.00

The actuarial reserve requirements on account of the pensioners amounted to \$5,097,584.00. This compares with the balance in the Retirement Reserve at June 30, 1968 of \$5,437,110.00. This is evidence of financial solvency with respect to the retirement allowances entered upon according to the 1951 Group Annuity Mortality Table and an interest rate assumption of 3-1/2% per annum.

OBLIGATIONS OF MUNICIPALITIES

The participating municipalities have assumed the following obligations on account of their employees who are members of the System: (a) the accrued liability for service rendered by the members prior to the effective date of participation, designated as "prior service"; and (b) the accruing cost for future service commonly referred to as "normal cost" or "current service cost".

In the case of each municipality, the liability for prior service was determined at the time of participation upon the basis of the service rendered by their employees. As required by law, a prior service contribution rate was fixed, as a percentage of payroll, at a rate deemed sufficient to amortize the accrued liability over a period of 25 years from the effective date of participation.

Normal cost was calculated upon the basis of total membership giving full effect to the age and service characteristics of the membership of each municipality. This rate also was fixed as a percentage of payroll. The rate is to be applied by each municipality in determining the amount of its contributions to the System for such service, additional to the annual amortization payment on account of the accrued liability.

The prior service and current service contribution rates are given below for the several participating municipalities together with the unfunded accrued liability at June 30, 1968:

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Municipal Code No.	Municipality	Prior Service Rate	Current Service Rate	Unfunded Accrued Liability
1	Barrington	3.30%	6.69%	\$ 205,155
2	Bristol	2.83	7.78	40,592
7	Cranston	5.05	6.40	1,181,175
9	East Greenwich	3.90	6.19	59,674
10	East Providence	5.88	6.35	811,875
15	Jamestown	3.27	6.97	41,820
21	Newport	5.77	6.78	1,220,635
23	North Kingstown	2.44	5.77	102,451
24	North Providence	3.88	5.14	177,210
25	North Smithfield	3.57	7.06	66,254
26	Pawtucket	4.53	4.76	2,038,262
30	Scituate	6.70	6.90	221,803
31	Smithfield	2.33	5.75	41,334
32	South Kingstown	1.15	6.32	34,719
33	Tiverton	6.88	6.08	199,552
34	Warren	5.66	7.17	123,294
39	Woonsocket	7.90	5.03	1,287,607
50	East Greenwich Fire District	4.21	6.87	12,070
	Total			\$ 7,865,490

The aforesaid rates are to be applied to the assumed payroll for the year for which a budget is applicable. In this manner, sufficient monies will always be provided in the annual budgets to meet a municipality's liability to the retirement system for

service rendered by employees during the year in question at the prescribed rates of salary and to provide a payment on account of the accrued liability.

AMENDMENTS

Several amendments to the law governing the System were enacted at the 1968 session of the General Assembly. A small cost increase was occasioned by these changes but the increase was not of such significance as to warrant a change in contribution rates.

A small cost increase resulted from the provision for retirement after 35 years of service regardless of age and by the removal of the age limit for ordinary disability benefits. This may readily be absorbed in the existing contribution rates in which a small margin exists for this purpose due to excess investment earnings above the basic interest rate assumption.

EQUITY INVESTMENT APPRECIATION

Our valuation does not give effect to the unrealized appreciation in the value of common stock investments because of the relatively short period of operations of the System and its limited experience with this type of investment.

Further consideration to this matter will be given at a later date after the System has had a broader experience and has accumulated a larger amount of these securities in a more diversified form as a proportion of total investments.

NEGATIVE RESERVE BALANCES

Negative reserve balances in the Employers' Contribution Reserve are shown in the case of 8 municipalities as will be noted in the statement of reserve allocations presented in the back of this report. These negative balances resulted from setting up full reserve requirements on a lifetime basis on pensions granted to retired employees from these municipalities.

This is not an unusual situation in the case of a new system. They arise on aged employees who retire immediately following the date when a municipality becomes a participant in the system. In the process of adjusting the reserves, a transfer is made from the Members' Contribution Reserve and the Employers' Contribution Reserve to the Retirement Reserve of the full actuarial value of the annuities.

In the course of time, with continued operations, these negative balances will be eliminated and a normal basis of operations will emerge.

CONCLUSION

The several liberalizing changes in the rights and benefits of the System which occurred during recent years have been given full expression in the preparation of this report. The several changes made were of a constructive character and served to establish substantial uniformity in benefits between the members of the Employees' Retirement System embracing State employees and teachers, and the members of this System.

The management of the System is fully alert to the problems arising in its operations. Its policies are directed towards the resolution of these problems in accordance with the expressed and implied provisions of the governing law and recognized principles applicable to retirement provisions for public employees.

A. A. Weinberg  
Actuary

November 15, 1968

FINANCIAL STATEMENTS

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FINANCIAL BALANCE SHEET

JUNE 30, 1968

STATEMENT OF REVENUES AND EXPENDITURES

FISCAL YEAR ENDED JUNE 30, 1968

ASSETS

Cash	\$	14,387.60	
Accrued Interest Receivable			103,397.14
Investments		\$7,387,847.35	
Unamortized Discounts	\$231,916.88		
Less, Unamortized Premiums	32,167.07	199,749.81	
Net Investments			7,188,097.54
Total Assets			<u>\$7,305,882.28</u>

RESERVES

Members' Contribution Reserve	\$2,603,057.59
Employers' Accumulation Reserve	( 734,360.66)
Retirement Reserve	5,437,110.44
Total Reserves	<u>\$7,305,807.37</u>

CURRENT LIABILITIES

Unclaimed benefits	74.91
Total Liabilities & Reserves	<u>\$7,305,882.28</u>

REVENUES:

Members' Contributions	\$ 745,755.30
Employers' Contributions	1,331,319.40
Unclaimed Benefits	423.83
Interest & Dividends	<u>299,811.29</u>
Total Revenues	<u>\$2,377,309.82</u>

EXPENDITURES:

Pensions	\$535,883.40	
Ordinary Death Benefits	60,586.07	
Death Retirement Allowances	<u>16,130.48</u>	\$612,599.95
Refunds of Contributions:		
Members	\$117,684.97	
Municipalities	<u>13,658.07</u>	131,343.04
Unclaimed Benefits		354.15
Investment Expense:		
Postage & Insurance		<u>9.85</u>
Total Expenditures		<u>744,306.99</u>
Excess of Revenues over Expenditures		<u>\$1,633,002.83</u>

( ) Indicates Negative Balance

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FISCAL YEAR ENDED JUNE 30, 1968

CASH BALANCE JULY 1, 1967

\$ 38,978.62

RECEIPTS:

Investments Sold or Matured	\$2,820,000.00	
Investment Earnings	260,663.53	
Discounts on Investments Purchased	<u>159,180.99</u>	\$3,239,844.52
Members' Contributions		745,755.30
Employers' Contributions		1,331,319.40
Unclaimed Benefits		<u>423.83</u>
Total Receipts		<u>5,317,343.05</u>
Total Cash Available		<u>\$5,356,321.67</u>

DISBURSEMENTS:

Investments Purchased	\$4,570,309.56	
Accrued Interest	16,257.52	
Premiums Paid	11,050.00	
Postage & Insurance	<u>9.85</u>	4,597,636.93
Monthly Pension Benefits	\$ 535,883.40	
Ordinary Death Benefits	60,586.07	
Death Retirement Allowances	<u>16,130.46</u>	612,599.95
Refunds of Contributions:		
Employees	117,684.97	
Municipalities	<u>13,658.07</u>	131,343.04
Unclaimed Benefits		<u>354.15</u>
Total Disbursements		<u>\$5,341,934.07</u>
CASH BALANCE JUNE 30, 1968		<u>\$ 14,387.60</u>

STATEMENT OF INVESTMENT EARNINGS  
FISCAL YEAR ENDED JUNE 30, 1968

Investment Income for the Year \$260,663.53

Add:

Accrued Interest June 30, 1968	\$103,397.14
Accrued Interest July 1, 1967	<u>69,758.34</u>
	\$ 33,638.80
Discounts Amortized	<u>22,933.83</u>

Total Addition 56,572.63  
Total \$317,236.16

Less:

Accrued Interest Purchased	\$ 14,416.38
Premiums Amortized	<u>3,008.49</u>

Total Deduction 17,424.87  
Total Investment Income \$299,811.29

COMPARATIVE STATEMENT OF NET INVESTMENT INCOME  
STATEMENT OF CASH RECEIPTS & DISBURSEMENTS  
FISCAL YEARS ENDED JUNE 30, 1968 and 1967

	<u>1967-68</u>	<u>1966-67</u>
<u>Receipts:</u>		
Interest and Dividends	\$260,663.53	\$181,460.20
Discounts on Purchases	159,180.99	79,708.68
Gain on Sales of Investments		<u>3,251.48</u>
Total Receipts	<u>\$419,844.52</u>	<u>\$264,420.36</u>
<u>Disbursements:</u>		
Accrued Interest on Purchases	\$ 16,267.52	\$ 5,021.20
Premiums on Purchases	11,050.00	8,113.28
Postage & Insurance on Purchases	9.85	<u>49.65</u>
Total Disbursements	<u>\$ 27,327.37</u>	<u>\$ 13,184.13</u>
Excess of Cash Receipts over Disbursements for the Year	<u><u>\$392,517.15</u></u>	<u><u>\$251,236.23</u></u>

STATEMENT OF RESERVE ALLOCATIONS  
FISCAL YEAR ENDED JUNE 30, 1968

	<u>Members' Reserve</u>	<u>Employers' Reserve</u>	<u>Retirement Reserve</u>
Reserve Balances - July 1, 1967	\$2,035,063.65	\$-1,234,650.36	\$4,872,466.16
<u>Revenues:</u>			
Members' Contributions	745,755.30		
Employers' Contributions		1,331,319.40	
Transfers from Members' Reserve			60,071.16
Transfers from Employers' Reserve			<u>756,785.56</u>
Total Revenues	\$ 745,755.30	\$1,331,319.40	\$ 816,856.72
Total Available	<u>\$2,780,818.95</u>	<u>\$ 96,669.04</u>	<u>\$5,689,322.88</u>
<u>Expenditures:</u>			
Pension Benefits			\$ 535,883.40
Ordinary Death Benefits		\$ 60,586.07	
Death Retirement Allowances			16,130.48
Refunds of Contributions	\$ 117,690.20	13,658.07	
Transfers to Retirement Reserve	<u>60,071.16</u>	<u>756,785.56</u>	
Total Expenditures	\$ 177,761.36	\$ 831,029.70	\$ 552,013.88
Reserve Balance Before Credit of Income	\$2,603,057.59	\$- 734,360.66	\$5,137,309.00
Net Investment Income			<u>299,801.44</u>
Reserve Balances - June 30, 1968	<u>\$2,603,057.59</u>	<u>\$- 734,360.66</u>	<u>\$5,437,110.44</u>

STATEMENT OF RESERVE ALLOCATIONS  
FISCAL YEAR ENDED JUNE 30, 1968

<u>City or Town</u>	<u>Members' Contribution Reserve</u>	<u>Employers' Contribution Reserve</u>	<u>Retirement Reserve</u>
Barrington	\$ 213,005.19	\$ 66,979.91	\$ 372,454.94
Bristol	75,120.92	58,314.28	130,768.79
Cranston	402,213.13	190,722.81*	858,046.00
East Greenwich	73,600.85	60,340.11	86,989.14
East Providence	300,589.66	100,961.20	633,872.26
Jamstown	18,478.07	23,526.23*	57,754.13
Newport	134,229.46	9,006.52	254,186.00
North Kingstown	196,897.61	94,734.49	245,007.38
North Providence	115,986.55	28,765.08*	226,707.11
North Smithfield	27,499.12	18,707.34	32,900.13
Pawtucket	510,236.66	602,764.19*	1,310,067.58
Scituate	10,075.93	8,290.74*	30,379.32
Smithfield	74,685.60	82,082.63	49,469.51
South Kingstown	97,817.71	150,331.62	51,420.53
Tiverton	36,906.48	120,077.35*	142,785.66
Warren	58,541.71	32,501.01*	143,660.58
Woonsocket	256,060.16	381,417.73*	810,550.52
East Greenwich PD	1,112.78	2,246.38	89.92
<b>Totals</b>	<b>\$2,603,057.59</b>	<b>\$ 734,360.66*</b>	<b>\$5,437,110.44</b>

\*Denotes negative balance. These are temporary deficits to be removed within the next several years. They have resulted principally from the retirement of aged employees shortly after the inception of coverage for the particular city or town.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Town of BARRINGTON

Statement of Reserve Accounts

June 30, 1968

MEMBERS CONTRIBUTION RESERVE

Balance July 1, 1967

Receipts:

Contributions

Total Available

Disbursements:

Refunds of Contributions

Transfers of Contributions to Retirement Reserve

Total Disbursements

Reserve Balance June 30, 1968

EMPLOYERS ACCUMULATION RESERVE

Balance July 1, 1967

Receipts:

Contributions

Total Available

Disbursements:

Cost of Pensions transferred to Retirement Reserve

Ordinary Death Benefits Paid

Total Disbursements

Reserve Balance June 30, 1968

RETIREMENT RESERVE

Balance July 1, 1967

Receipts:

Transfers from Members Reserve

Transfers from Employers Reserve

Investment Earnings - Year 1967-68

Total Receipts

Total Available

Disbursements:

Pensions Paid

Reserve Balance - June 30, 1968

\$188,270.92

42,980.23

231,251.15

\$12,040.31

6,205.65

18,245.96

\$213,005.19

\$ 95,066.72

68,931.00

163,997.72

97,017.81

\$ 66,979.91

\$277,080.35

\$ 6,205.65

95,267.81

28,031.43

129,504.89

406,585.24

24,130.30

\$372,454.94



MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Town of BRISTOL

Statement of Reserve Accounts

June 30, 1968

MEMBERS CONTRIBUTION RESERVE

<u>Balance July 1, 1967</u>		
<u>Receipts:</u>		\$ 62,040.35
Contributions		
	<u>Total Available</u>	<u>18,769.67</u>
<u>Disbursements:</u>		80,810.02
Refunds of Contributions		
Transfers of Contributions to Retirement Reserve	\$ 1,902.25	
	<u>3,786.85</u>	
	<u>Total Disbursements</u>	<u>5,689.10</u>
	<u>Reserve Balance June 30, 1968</u>	<u>\$ 75,120.92</u>

EMPLOYERS ACCUMULATION RESERVE

<u>Balance July 1, 1967</u>		
<u>Receipts:</u>		\$ 60,280.54
Contributions		
	<u>Total Available</u>	<u>35,082.92</u>
<u>Disbursements:</u>		95,363.46
Refunds of Contributions		
Cost of Pensions transferred to Retirement Reserve	\$ 1,610.21	
	<u>25,438.97</u>	
	<u>Total Disbursements</u>	<u>27,049.18</u>
	<u>Reserve Balance June 30, 1968</u>	<u>\$ 68,314.28</u>

RETIREMENT RESERVE

<u>Balance July 1, 1967</u>		
<u>Receipts:</u>		\$ 99,066.03
Transfers from Members Reserve	\$ 3,786.85	
Transfers from Employers Reserve	25,438.97	
Investment Earnings - Year 1967-68	<u>11,452.42</u>	
	<u>Total Receipts</u>	<u>40,678.24</u>
<u>Disbursements:</u>	<u>Total Available</u>	<u>\$139,744.27</u>
Pensions Paid		8,975.48
	<u>Reserve Balance - June 30, 1968</u>	<u>\$130,768.79</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

City of CRANSTON

Statement of Reserve Accounts

June 30, 1968

MEMBERS CONTRIBUTION RESERVE

		\$316,129.30	
<u>Balance July 1, 1967</u>			
<u>Receipts:</u>		<u>117,939.13</u>	
Contributions	<u>Total Available</u>		434,068.43
<u>Disbursements:</u>			
Refunds of Contributions		\$20,919.73	
Transfers of Contributions to Retirement Reserve		<u>10,935.57</u>	
	<u>Total Disbursements</u>		<u>31,855.30</u>
			<u>\$402,213.13</u>
	<u>Reserve Balance June 30, 1968</u>		

EMPLOYERS ACCUMULATION RESERVE

			-\$277,256.63
<u>Balance July 1, 1967</u>			
<u>Receipts:</u>		<u>224,690.62</u>	
Contributions	<u>Total Available</u>		-52,566.01
<u>Disbursements:</u>			
Cost of Pensions transferred to Retirement Reserve		\$124,406.80	
Ordinary Death Benefits Paid		<u>13,750.00</u>	
	<u>Total Disbursements</u>		<u>138,156.80</u>
			<u>-\$190,722.81</u>
	<u>Reserve Balance June 30, 1968</u>		

RETIREMENT RESERVE

			\$773,137.15
<u>Balance July 1, 1967</u>			
<u>Receipts:</u>			
Transfers from Members Reserve		\$ 10,935.57	
Transfers from Employers Reserve		124,406.80	
Investment Earnings - Year 1967-68		<u>43,471.21</u>	
	<u>Total Receipts</u>		<u>178,813.58</u>
			951,950.73
<u>Disbursements:</u>	<u>Total Available</u>		
Pensions Paid		\$ 92,741.46	
Death Retirement Allowances		<u>1,162.40</u>	
	<u>Total Disbursements</u>		<u>93,903.86</u>
			<u>\$858,046.87</u>
	<u>Reserve Balance - June 30, 1968</u>		