

REPORT OF THE ACTUARY

Fiscal Year Ended June 30, 1969

There are presented herewith the results of a valuation of the System as of June 30, 1969. The pension roll at the close of the year was as follows:

	<u>Male</u>	<u>Female</u>
Number on pension roll	367	69
Annual payments	\$ 521,181.00	\$ 92,741.00
Average annual payment	\$1,420.00	\$1,344.00
Average age	69.1	68.0
Actuarial reserve requirements	\$5,186,000.00	\$1,055,101.00

The actuarial reserve requirements on account of the pensioners amounted to \$6,241,101.00. This compares with the balance in the Retirement Reserve at June 30, 1969 of \$6,746,372.48. 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 4% per annum.

OBLIGATIONS OF MUNICIPALITIES

The participating cities and towns 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".

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, 1969:

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Municipal Code No.	Municipality	Prior Service Rate	Current Service Rate	Unfunded Accrued Liability at 6/30/69
1	Barrington	3.30%	6.69%	\$ 190,338
2	Bristol	2.83	7.78	38,112
3	Burrillville	7.12	7.56	289,313
7	Cranston	5.05	6.40	1,100,183
9	East Greenwich	3.90	6.19	55,362
10	East Providence	5.88	6.35	758,217
15	Jamestown	3.27	6.97	38,072
16	Johnston	2.90	7.10	67,328
21	Newport	5.77	6.78	1,176,113
23	North Kingstown	2.44	5.77	96,781
24	North Providence	3.88	5.14	162,716
25	North Smithfield	3.57	7.06	59,991
26	Pawtucket	4.53	4.76	1,926,308
30	Scituate	6.70	6.90	201,434
31	Smithfield	2.33	5.75	37,133
32	South Kingstown	1.15	6.32	30,319
33	Tiverton	6.88	6.08	188,942
34	Warren	5.66	7.17	113,877
39	Woonsocket	7.90	5.03	1,200,780
<u>Special Units</u>				
50	East Greenwich Fire District	4.21	6.87	11,894
51	Cranston Housing Authority	1.20	5.50	4,205
52	East Providence Housing Authority	1.10	6.30	7,022
53	Pawtucket Housing Authority	8.30	8.70	180,497
54	East Greenwich Police & Firemen	1/	14.00	1/
55	North Kingstown Police & Firemen	1/	14.00	1/
TOTAL				\$7,934,937

✓ Not Available

The approved rates are to be applied to the assumed payroll for the approved rates are to be applied to the assumed payroll for the year to which the budget is applicable. Thus, sufficient reserve will have to be provided in the annual budgets to meet a municipality's liability to the retirement system.

This liability consists of the requirements for service ~~reduction~~ of employees during the year in question and to provide a ~~payment~~ on account of the accrued liability.

ASSUMPTIONS

Several amendments to the law governing the System were enacted at the 1969 session of the General Assembly. A substantial net increase was occasioned by one of these changes which provided for an increase in the rate of pension credit from 1-2/3% to 2% per year of pension credit.

The approved amendment was effective as of May 8, 1969 and was subject to acceptance by each participating city or town. The effect of this amendment, therefore, in the case of the cities and towns accepting its provisions will be reflected in the report for the 1970 fiscal year.

NEGATIVE RESERVE BALANCES

Negative reserve balances in the Employers' Contribution Reserve are shown in the case of several cities and towns as will be noted in the statement of reserve allocations presented in the back of this report. These negative balances resulted from the practice of setting up full reserve requirements, on a lifetime basis, on retired employees from these municipalities. This is not an unusual situation in the case of a relatively new system. It occurs 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 annuitant.

In a very few years, with continued operations, these negative balances should be removed and a normal basis of operations established for the system.

CONCLUSION

The report gives full effect to all rights and benefits in effect for the system including all recent amendments to the retirement plan with the exception of those enacted in 1969 which are prospective in their application.

The retirement board is maintaining progressive policies in the management and administration of the system. Its efforts are constantly directed towards improvement in the plan of operation to the end that its stated objectives will be achieved in full measure.

A. A. Weinberg
Actuary

January 30, 1970

FINANCIAL STATEMENTS

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FINANCIAL BALANCE SHEET

JUNE 30, 1969

ASSETS

Cash

Accrued Interest Receivable

Investments

Less, Unamortized Premiums
and Discounts (Net)

Net Investments

Total Assets

\$9,349,721.35

235,835.93

RESERVES

General Employees -

Members' Contribution Reserve

Employer's Accumulation
Reserve

Retirement Reserve

\$3,108,177.85

(619,388.63)
6,685,613.43

Police & Fire Plan -

Members' Contribution Reserve

Employers' Accumulation
Reserve

Retirement Reserve

135,221.27

13,453.48
60,759.05

Total Reserves

CURRENT LIABILITIES

Unclaimed Benefits

Total Liabilities & Reserves

(1) Indicates Negative Balance

STATEMENT OF REVENUES AND EXPENDITURES

FISCAL YEAR ENDED JUNE 30, 1969

REVENUES:

Contributions -

General Employees -

Members

Employers

\$ 855,908.23

1,576,622.13

Policemen & Firemen -

Members

Employers

38,649.27

67,361.95

\$2,538,541.58

Investments -

Interest & Dividends

Gain on Sales

\$ 403,078.30

2,177.88

405,256.18

Miscellaneous -

Refunds

Unclaimed Benefits

573.48

825.90

1,399.38

Total Revenues

\$2,945,197.14

EXPENDITURES:

Benefits -

General Employees -

Pensions

Ordinary Death

Benefits

Death Retirement

Allowance

\$629,336.29

52,883.41

36,338.46

Policemen & Firemen -

Pensions

4,681.77

\$ 723,239.93

Refunds of Contributions -

General Employees -

Members

Municipalities

\$132,285.08

7,700.47

Policemen & Firemen -

Members

2,540.10

142,525.65

Investment Expense -

Postage & Insurance

3.10

Total Expenditures

865,768.68

Excess of Revenues over Expenditures -

Transferred to Reserves

\$2,079,428.46

STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEAR ENDED JUNE 30, 1969

CASH BALANCE JULY 1, 1968

RECEIPTS:

Investments - Sold or Matured	\$4,724,669.48	
Investment Earnings	353,255.78	
Discounts on Investments Purchased	85,417.33	5,165,520.47
Gain on Sales	2,177.88	
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Contributions -		
General Employees - Members	\$ 855,908.23	
Employers	1,576,622.13	
Policemen & Firemen - Members	38,649.27	2,538,541.58
Employers	67,361.95	
Miscellaneous - Misc. Receipts	\$ 573.48	
Unclaimed Benefits	825.90	1,399.38
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Total Receipts		
Total Cash Available		

DISBURSEMENTS:

Investments - Purchased	\$6,686,543.48	
Accrued Interest	15,800.24	
Premiums Paid	4,250.00	
Postage & Insurance	3.10	6,706,596.82
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Benefits -		
General Employees - Pensions	\$ 629,336.29	
Ordinary Death	52,883.41	
Death Retirement Allowance	36,338.46	
Policemen & Firemen- Pensions	4,681.77	723,239.93
Refunds of Contributions -		
General Employees	\$ 132,285.08	
Municipalities	7,700.47	
Policemen & Firemen	2,540.10	142,525.65
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Total Disbursements		

CASH BALANCE JUNE 30, 1969

\$ 14,387.66

7,705,461.41
\$7,719,849.00

7,572,362.11
\$ 147,486.89

STATEMENT OF INVESTMENT EARNINGS
FISCAL YEAR ENDED JUNE 30, 1969

Interest and Dividends		\$353,255.78
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Deductions:		
Accrued Interest June 30, 1969	\$123,938.69	
Accrued Interest July 1, 1968	103,397.14	
	\$ 20,541.55	
Discounts Amortized	51,908.51	
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Total Addition		72,450.06
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Total		\$425,705.84
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Deductions:		
Accrued Interest Purchased	\$ 20,942.04	
Premiums Amortized	1,685.50	
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Total Deduction		22,627.54
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Investment Income For the Year		\$403,078.30

Exclusive of Capital Gain of \$2,177.88

COMPARATIVE STATEMENT OF NET INVESTMENT INCOME
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
FISCAL YEARS ENDED JUNE 30, 1969 and JUNE 30, 1968

	1968-1969	1967-1968
<u>Receipts:</u>		
Interest and Dividends	\$353,255.78	\$260,663.53
Discounts on Purchases	85,417.33	159,180.99
Gain on Sales of Investments	2,177.88	-
<u>Total Receipts</u>	\$440,850.99	\$419,844.52
<u>Disbursements:</u>		
Accrued Interest on	\$ 15,800.24	\$ 16,267.52
Purchases	4,250.00	11,050.00
Premiums on Purchases	3.10	9.85
Postage and Insurance	\$ 20,053.34	\$ 27,327.37
on Purchases		
<u>Total Disbursements</u>	\$ 40,116.68	\$ 54,654.74
Excess of Cash Receipts over Disbursements for the Year	\$420,797.65	\$392,517.15

	Members' Reserve		Employer's Reserve		Retirement Reserve	
	General Employees	Police & Fire	General Employees	Police & Fire	General Employees	Police & Fire
Reserve Balances - July 1, 1968	\$2,601,944.81	\$ 1,112.78	\$- 736,607.04	\$ 2,246.38	\$5,437,020.50	\$ 89.94
<u>Receipts:</u>						
From Members	855,086.55	39,470.95				
From Employers			1,576,600.19	67,383.89		
Transfers From:						
Members' Reserve					115,363.41	4,027.38
Employers' Reserve					1,398,797.90	56,176.79
Inter-Fund Transfers		101,205.02				
<u>Total Revenues</u>	\$ 855,086.55	\$140,675.97	\$1,576,600.19	\$67,383.89	\$1,514,161.31	\$60,204.17
<u>Total Available</u>	\$3,457,031.36	\$141,788.75	\$ 839,993.15	\$69,630.27	\$6,951,181.81	\$60,294.11
<u>Expenditures:</u>						
Pension Benefits					\$ 629,336.29	\$ 4,681.77
Ordinary Death Benefits			\$ 52,883.41			
Death Retirement Allowances					36,338.46	
Refunds	\$ 132,285.08	\$ 2,540.10	7,700.47			
Transfers:						
To Retirement Reserves	115,363.41	4,027.38	1,398,797.90	56,176.79		
Inter-Fund	101,205.02					
<u>Total Expenditures</u>	\$ 348,853.51	\$ 6,567.48	\$1,459,381.78	\$56,176.79	\$ 665,674.75	\$ 4,681.77
<u>Balance</u>	\$3,108,177.85	\$135,221.27	\$- 619,388.63	\$13,453.48	\$6,285,507.06	\$55,612.34
<u>Net Investment Income</u>					400,106.37	5,146.71
Reserve Balances - June 30, 1969	\$3,108,177.85	\$135,221.27	\$- 619,388.63	\$13,453.48	\$6,685,613.43	\$60,759.05

STATEMENT OF RESERVE ALLOCATIONS
FISCAL YEAR ENDED JUNE 30, 1969

Code	General Employer City or Town	Members' Contribution Reserve	Employers' Contribution Reserve	Retirement Reserve
1	Barrington	\$ 258,810.20	\$ 111,943.42	\$ 416,873.34
2	Bristol	92,479.26	97,920.28	140,247.56
3	Burrillville	14,606.48	19,500.00	851.03
7	Cranston	492,762.99	184,505.98*	1,054,608.27
9	East Greenwich	61,238.92	81,359.89	92,410.41
10	East Providence	370,736.63	173,139.39	743,532.19
15	Jamestown	22,446.36	21,607.12*	57,112.09
16	Johnston	10,849.11	18,704.71	729.46
21	Newport	206,301.44	72,745.99*	488,487.31
23	North Kingstown	135,949.23	50,835.80	347,614.62
24	North Providence	129,935.75	50,101.40*	282,110.44
25	North Smithfield	36,721.95	25,561.56	49,224.25
26	Pawtucket	600,216.93	654,556.13*	1,517,373.95
30	Scituate	21,730.50	33,757.75*	69,489.32
31	Smithfield	93,810.39	92,715.29	85,865.34
32	South Kingstown	105,554.11	181,271.65	66,406.80
33	Tiverton	48,200.54	123,230.02*	185,768.93
34	Warren	73,393.16	21,908.37*	190,568.26
39	Woonsocket	320,187.75	264,597.16*	828,736.15
51	Cranston Housing Authority	2,492.02	2,938.62	121.56
52	East Providence Housing Authority	2,183.75	2,823.39	121.56
53	Pawtucket Housing Authority	7,570.38	51,092.71*	67,360.49
	Totals	\$3,108,177.85	\$ 619,388.63*	\$6,685,613.43
<u>Police & Fire</u>				
50	East Greenwich Fire District	\$ 4,127.30	\$ 7,794.01	\$ 454.67
54	East Greenwich Police	30,335.05	13,448.40	1,094.16
55	North Kingstown	100,758.92	7,788.93*	59,210.20
	Totals	\$ 135,221.27	\$ 13,453.48	\$ 60,759.05

*Denotes negative balance. These are temporary deficits to be recovered 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.

SUMMARY OF INVESTMENTS
FROM JULY 1, 1968 to JUNE 30, 1969

Total Investments July 1, 1968	
Add:	\$ 7,387,847.35
Purchases during the year	6,672,849.72
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	\$14,060,697.07
Deduct:	
Redemptions and Sales during year	4,710,975.72
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TOTAL INVESTMENTS AT JUNE 30, 1969	\$ 9,349,721.35
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