

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
STATE OF RHODE ISLAND

FOURTH ANNUAL REPORT

of the

RETIREMENT BOARD

June 30, 1961

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RETIREMENT BOARD

June 30, 1961

February 28, 1961

To his Excellency  
The Honorable John A. Notte, Jr.  
Governor, State of Rhode Island  
and Providence Plantations  
Providence, Rhode Island

Sir:

I take pleasure in submitting herewith, for transmittal to the General Assembly, the FOURTH ANNUAL REPORT of the Retirement Board of the Municipal Employees' Retirement System of the State of Rhode Island.

This report presents the results of operations of the system for the fiscal year ended June 30, 1961 and its financial condition at that date.

Respectfully submitted,

Raymond H. Hawksley,  
Chairman

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MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM  
OF THE STATE OF RHODE ISLAND

Presented herewith is the Fourth Annual Report of the Retirement Board of the Municipal Employees' Retirement System of the State of Rhode Island covering operations for the year ended June 30, 1961.

PARTICIPATION

There were no additions during the year to the number of participating municipalities. Seven municipalities are included in the membership of the system, namely:

Barrington	Smithfield
Bristol	South Kingstown
East Greenwich	Warren
North Kingstown	

Two additional municipalities, namely, the City of East Providence and the Town of North Providence, came into membership after the close of the fiscal year.

MEMBERSHIP

<u>Town</u>	<u>Active Members</u>		<u>Pensioners</u>	
	<u>Number</u>	<u>Annual Salaries</u>	<u>Number</u>	<u>Annual Payments</u>
Barrington	107	\$415,486.50	8	\$ 7,103.06
Bristol	30	109,032.00	1	346.51
East Greenwich	29	107,679.00	4	1,524.76
North Kingstown	61	264,940.00	6	3,312.38
Smithfield	35	109,340.00	--	--
South Kingstown	42	206,305.60	--	--
Warren	<u>33</u>	<u>129,125.64</u>	<u>6</u>	<u>5,131.19</u>
Totals	337	\$1,341,908.74	25	\$17,417.90

LEGISLATION

There were no amendments to the Act governing the system at the 1961 session of the General Assembly.

ACTUARIAL VALUATION

The results of an actuarial valuation of the system as of June 30, 1961, are presented in the report of the actuary forming a part of this annual report.

FINANCIAL REVIEW

Total assets of the system at the close of the year amounted to \$467,504.86. These assets were applied to certain designated reserves in accordance with the law. These reserves are subject to periodic check and evaluation to establish their adequacy.

The principal items comprising the income and expenditures for the year are as follows:

Income

Member contributions	\$ 59,488.38
Municipalities' contributions	91,819.00
Interest income	13,809.78
Other	<u>8.13</u>
Total	<u>\$165,125.29</u>

Expenditures

Retirement benefits	\$ 15,427.82
Death benefits	5,200.00
Refunds	<u>8,361.26</u>
Total	<u>\$ 28,989.08</u>
Excess of Income over Expenditures transferred to Reserves	<u><u>\$136,136.21</u></u>

The excess of income over expenditures is represented by an increase in total reserves of the system as will be observed in the following statement:

Reserves at July 1, 1961 -

Members' Contributions	\$167,481.37	
Employers' Accumulation	127,155.23	
Retirement Reserve	<u>172,868.26</u>	\$467,504.86

Reserves at June 30, 1960 -

Members' Contributions	\$118,981.12	
Employers' Accumulation	90,649.46	
Retirement Reserve	<u>121,738.07</u>	<u>331,368.65</u>
Increase in total reserves		<u>\$136,136.21</u>

INVESTMENTS

Total investments at the close of the year amounted to \$463,581 being an increase for the year of \$135,376. It is the practice of the Board to keep the funds of the system fully invested at all times in order to obtain the maximum income on its assets.

The investments consist of the same types of securities as those of the Employees' Retirement System. The rate of return on investments is in excess of the 3% rate used in the



valuation of the reserves and liabilities. Any such excess interest remains in the system and becomes a part of its reserves for retirement liabilities.

Changes in the investment account during the year were as described on the following pages.

Bonds and Stocks Purchased

<u>Description</u>	<u>Rate</u>	<u>Maturities</u>	<u>Par Value (Bonds) or Cost (Stocks)</u>
United States of America Discount		7/15/61	\$ 9,000
Public Utilities:			
Arkansas Power & Light Co.:			
First Mortgage	4-7/8%	5/ 1/91	50,000
Industrial:			
United States Steel Corp.:			
Sinking Fund Debentures	4-1/2	4/15/86-88	30,000
Corporate Stocks:			
Abbott Laboratories:			
100 shares			\$ 7,134
American Telephone & Telegraph Co.:			
5 shares			431
Commonwealth Edison Co.:			
50 shares			3,651
Consumers Power Co.:			
100 shares			6,520
E. I. duPont deNemours & Co., Inc.:			
25 shares			4,631
General Electric Co.:			
10 shares			794
Hartford Fire Insurance Co.:			
155 shares			10,421
Monsanto Chemical Co.:			
104 shares			4,617
J. C. Penney Co.:			
100 shares			4,140
Phillips Petroleum Co.:			
200 shares			10,275
Union Bag - Camp Paper Corp.:			
100 shares			<u>3,762</u>
			<u>56,376</u>

Total purchases during year ended June 30, 1961

\$145,376

Bonds and Stocks Sold or Redeemed

<u>Description</u>	<u>Rate</u>	<u>Maturities</u>	<u>Par Value (Bonds) or Cost (Stocks)</u>
United States of America: Certificates of In- debtedness	4-7/8%	2/15/61	\$ 10,000

SUMMARY OF INVESTMENTS

Investments at June 30, 1960	\$328,205
Deduct: Sales and redemptions during year	<u>10,000</u>
	\$318,205
Add: Purchases during year	<u>145,376</u>
Investments at June 30, 1961	<u>\$463,581</u>

CONCLUSION

The system is developing satisfactorily. A reasonable and well balanced schedule of benefits is in effect as a supplement to federal social security, conforming to good standards.

As in the past, the Retirement Board will continue to direct its efforts towards the maintenance of a high state of efficiency in administration and the effectuation of the objectives of the system in full measure.

Retirement Board of the Municipal  
Employees' Retirement System,  
State of Rhode Island

RAYMOND H. HAWKSLEY, Chairman

JOSEPH M. BOISVERT

HON. PRIMO IACOBUCCI

HON. JOHN J. WRENN

T. MORTON CURRY

JUDGE HAROLD C. ARCARO

MICHAEL F. WALSH

JAMES E. CONLON

CHARLES W. HILL

Ralph P. Cinquegrana  
Secretary

REPORT OF THE ACTUARY

Measured by the usual standards applicable to a valuation of the operating experience of a retirement system, the Municipal Employees' Retirement System made satisfactory progress during the year. It has continued to maintain a sound financial condition. This is evidenced by the results of an actuarial analysis of the Retirement Reserve. This reserve represents a pooling of risks on the part of all participating municipalities in the case of those in receipt of retirement allowances. The results of this analysis are as follows:

	<u>Male</u>	<u>Female</u>
Number on pension roll	23	2
Annual payments	\$16,759.67	\$658.23
Average annual payment	\$728.68	\$329.12
Average age	70.9	73.0
Actuarial Reserve requirements	\$157,316.95	\$6,369.84

The total actuarial reserve requirements on account of these allowances, amounting to \$163,686.79, compares with the balance in the Retirement Reserve at June 30, 1961 of \$172,868.26. This is indicative of financial solvency for this phase of the system's operations.

Last year a small deficit existed in this reserve. In explanation thereof, it was pointed out that it was difficult to draw any reliable conclusions from the limited period of the system's operations, and that a much broader experience was necessary to establish a more definite basic trend.

ACCRUED LIABILITY

The accrued liability consists of the pension credits earned by the members during service prior to the effective date of participation of the municipalities. The contribution rate for the amortization of this liability over a period of 25 years from the effective date in the case of each municipality was previously established. Such rate is still applicable. The rate is to be applied against the latest payroll for each municipality to obtain the amount payable by the municipality for the fiscal year beginning July 1, 1961. The following statement illustrates the current amounts payable on account of the accrued liability by the several municipalities:

<u>Name of Municipality</u>	<u>Rate of Prior Service Contribution</u>	<u>Current Amount Payable</u>
Barrington	2.30%	\$ 9,556.19
Bristol	1.94	2,115.22
East Greenwich	2.77	2,982.71
North Kingstown	1.65	4,371.51
Smithfield	1.63	1,782.24
South Kingstown	0.77	1,588.55
Warren	3.86	<u>4,984.25</u>
Total		<u>\$27,380.67</u>

CURRENT SERVICE COST

The accruing cost on account of current service has been established and is presented below both as a percentage of payroll and in terms of dollar amounts:

<u>Name of Municipality</u>	<u>Rate of Contribution</u>	<u>Current Amount Payable</u>
Barrington	4.48%	\$18,613.80
Bristol	5.36	5,844.12
East Greenwich	4.27	4,597.89
North Kingstown	3.96	10,491.62
Smithfield	3.89	4,253.33
South Kingstown	4.32	8,912.40
Warren	5.02	<u>6,482.11</u>
Total		<u>\$59,195.27</u>

GENERAL COMMENT

The system is developing satisfactorily in fulfillment of its purposes and objectives. A broadening of coverage will no doubt occur as other cities and towns in the State recognize its value as a means of providing supplemental benefits to federal social security. The two programs will serve to give the employees an adequate measure of security for old age, disability and death.

The annual valuations that are made in accordance with the directives of the governing law serve as a continuous check of the financial operations of the system and as a means of verifying the adequacy and correctness of rates of contributions. Thus the maintenance of a sound and secure financial condition for the system is assured.

A. A. Weinberg

Actuary.



FINANCIAL STATEMENTS

Reproduced from the Report on Examination of Financial Records dated December 15, 1961.

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

BALANCE SHEET

JUNE 30, 1961

ASSETS

Cash		\$ 3,924.11
Investments -		
Bonds at par value	\$284,000.00	
Stocks at cost	<u>179,580.75</u>	<u>463,580.75</u>
Total Assets		<u>\$467,504.86</u>

RESERVES

Members' Contribution Reserve	\$167,481.37
Employers' Accumulation Reserve	127,155.23
Retirement Reserve	<u>172,868.26</u>
Total Reserves	<u>\$467,504.86</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Statement of Cash Receipts and Disbursements  
Fiscal Year Ended June 30, 1961

Cash Balance July 1, 1960 \$ 3,162.78

Receipts:

Members' Contributions	\$ 59,488.38	
Municipalities' Contributions	91,819.00	
Investment Earnings	15,073.54	
Sale of Investments	19,000.00	
Discounts Received - Investments	253.90	
Refunds of Benefits	8.13	
Total Receipts		<u>185,642.95</u>
Total Available		\$188,805.73

Disbursements:

Members' Contributions Refunded	\$ 8,361.26	
Benefits Paid:		
Monthly Retirement Allowances	15,427.82	
Ordinary Death Benefits	5,200.00	
Investment Purchases	154,374.88	
Accrued Interest Paid - Investments Purchased	254.74	
Premiums and Discounts - Purchase Commission, Postage and Insurance	1,245.88	
	17.04	
Total Disbursements		<u>184,881.62</u>
Cash Balance June 30, 1961		<u>\$ 3,924.11</u>

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Statement of Reserve Allocations

Fiscal Year Ended June 30, 1961

	<u>Members'</u> <u>Reserve</u>	<u>Employers'</u> <u>Reserve</u>	<u>Retirement</u> <u>Reserve</u>
Fund Balance July 1, 1960	\$118,981.12	\$ 90,649.46	\$121,738.07
<u>Receipts:</u>			
Members' Contributions	59,488.38		
Municipalities' Contributions		91,819.00	
Transfers from Members' Reserve			2,626.87
Transfers from Employers' Reserve			50,113.23
 Total Receipts	 \$ 59,488.38	 \$ 91,819.00	 \$ 52,740.10
 Total Available	 \$178,469.50	 \$182,468.46	 \$174,478.17
<u>Disbursements:</u>			
Refunds of Members' Contributions	\$ 8,361.26		
Benefits Paid:			
Monthly Retirement Allowances			15,419.69
Ordinary Death Benefits		5,200.00	
Transfers to Retirement Reserve	2,626.87	50,113.23	
 Total Disbursements	 \$ 10,988.13	 \$ 55,313.23	 \$ 15,419.69
Fund Balance Before Transfer of Income	\$167,481.37	\$127,155.23	\$159,058.48
Plus: Net Income			13,809.78
Fund Balance July 1, 1961	\$167,481.37	\$127,155.23	\$172,868.26

MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM

Statement of Reserve Allocations

Fiscal Year Ended June 30, 1961

(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	\$ 50,914.82	\$ 33,034.57	
Bristol	20,730.50	35,057.32	
East Greenwich	14,346.19	13,722.85	
North Kingstown	37,098.77	3,409.36	
Smithfield	18,380.91	27,886.00	
South Kingstown	9,172.14	10,410.00	
Warren	<u>16,838.04</u>	<u>3,635.13</u>	
Totals	<u>\$167,481.37</u>	<u>\$127,155.23</u>	<u>\$172,868.26</u>

Municipal Employees' Retirement System  
State of Rhode Island

INVESTMENTS - JUNE 30, 1961

<u>Description</u>	<u>Rate</u>	<u>Maturities</u>	<u>Par Value (Bonds) or Cost (Stocks)</u>
<u>United States of America:</u>			
Treasury Bills	Discount	7/15/61	\$ 9,000
Treasury Notes	4-5/8%	5/15/65	25,000
TOTAL UNITED STATES OF AMERICA			\$ 34,000
<u>International Bank for Re- construction and Develop- ment:</u>			
Bonds	3-3/4	5/15/68	\$ 25,000
<u>Municipalities:</u>			
<u>City of East Providence:</u>			
Elementary School	3-3/4	2/ 1/78	\$ 15,000
<u>City of Pawtucket:</u>			
School Repair and Re- construction	3.60	5/ 1/74	10,000
TOTAL MUNICIPALITIES			\$ 25,000
<u>Public Utilities:</u>			
<u>Arkansas Power &amp; Light Co.:</u>			
First Mortgage	4-7/8	5/ 1/91	\$ 50,000
<u>Consolidated Natural Gas:</u>			
Debentures	5	2/ 1/85	10,000
<u>Dallas Power &amp; Light Co.:</u>			
First Mortgage	5-1/4	12/ 1/89	10,000
<u>Illinois Bell Telephone Co.:</u>			
First Mortgage, Series F	4-3/8	3/ 1/94	25,000

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INVESTMENTS - MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM - CONTINUED

Description	Rate	Maturities	Par Value (Bonds) or Cost (Stocks)
Utilities - continued: Hana Power & Light Co.: Mortgage	5 %	4/ 1/90	\$ 25,000
Public Service Electric Gas Co.: Mortgage	4-5/8	8/ 1/88	25,000
Met Sound Power & Light Company: Mortgage	4-1/8	5/ 1/88	<u>25,000</u>
TOTAL PUBLIC UTILITIES			<u>\$ 170,000</u>
Industrial: United States Steel Corporation: Sinking Fund Debentures	4-1/2	4/15/86-88	<u>\$ 30,000</u>
Bank Stocks: Bank of America: 200 shares			\$ 7,625
First National Bank of Boston: 125 shares			6,912
Morgan Guaranty Trust Company of New York: 100 shares			<u>7,438</u>
TOTAL BANK STOCKS			<u>\$ 21,975</u>
Corporate Stocks: Abbott Laboratories: 200 shares			\$ 12,803
Allied Chemical Corporation: 200 shares			10,288
American Telephone & Telegraph Co.: 105 shares			8,978

INVESTMENTS - MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM - CONTINUED

<u>Description</u>	<u>Rate</u>	<u>Maturities</u>	<u>Par Value (Bonds) or Cost (Stocks)</u>
Corporate Stocks - continued:			
Commonwealth Edison Co.: 150 shares			\$ 9,521
Consumers Power Co.: 200 shares			11,927
E. I. duPont deNemours & Co., Inc.: 50 shares			10,443
General Electric Company: 100 shares			8,343
Hartford Fire Insurance Company: 155 shares			10,421
Monsanto Chemical Co.: 304 shares			12,821
Northern States Power Co.: 300 shares			7,343
J. C. Penney Co.: 250 shares			9,695
Phillips Petroleum Company: 200 shares			10,275
Standard Oil Company of New Jersey: 200 shares			9,798
Union Bag-Camp Paper Corporation: 300 shares			11,878
United States Steel Corporation: 150 shares			<u>13,072</u>
TOTAL CORPORATE STOCKS			<u>\$157,606</u>
TOTAL INVESTMENTS - MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM			<u><u>\$463,581</u></u>



A P P E N D I X

Summary of Benefit and Contribution  
Provisions

SUMMARY OF BENEFIT AND CONTRIBUTION  
PROVISIONS OF THE RETIREMENT PLAN

Participation by cities and towns. Participation is optional with the cities and towns, and may be effected by the adoption of a resolution or ordinance by the governing body subscribing to the provisions of the system and agreeing to assume the obligations thereunder.

Effective date of participation. The effective date is July 1st next following the receipt of a certified copy of the ordinance or resolution by the retirement board, provided the same was filed with the board at least 90 days prior to such date; otherwise, the effective date is July 1st of the following year.

Withdrawal from participation. A city or town may withdraw from participation by the adoption of a resolution or ordinance to that effect. The city or town shall be liable for the accrued liabilities for matured annuities and benefits, and for those benefits in which vested rights had been created.

Employees eligible for coverage. All employees of a city or town, including elected officials, subject to the conditions stated in item entitled "Conditions for membership" below.

Conditions for membership. Any employee in service on the effective date of participation or within 6 months prior to such date, will automatically become a member of the system, following approval of participation by the city or town, unless the employee notifies the retirement board, in writing, within 60 days after the effective date that he does not desire to join the system.

Any person becoming an employee after the effective date of participation for the city or town, who at date of entry into service is under age 58, if a member of the police or fire department, or under age 60, if an employee of any other department, shall automatically become a member of the system after 6 months of service, as a condition of employment. Any person elected to office after the effective date shall have the option of becoming a member within 60 days following the date when he shall assume the duties of his office.

Exclusions from membership. Membership is limited to any regular or permanent employee or officer, whose business time is devoted to the service of the city or town.

An employee occupying a position of a temporary or seasonal character, not classified as a regular or permanent employee, is not eligible for membership.

Members of other retirement systems. Any employee in service on the effective date or within 6 months prior thereto, who is a member of any other pension or retirement system supported wholly or in part by funds of the city or town, may become a member of the retirement system if he waives and renounces all accrued rights and benefits in such other system.

Any employee entering service after the effective date, who is a member of or receiving an annuity or benefit from any other pension or retirement system supported wholly or in part by the city or town, shall not be eligible for participation unless he waives membership in such other retirement system.

Service credit. Any employee becoming a member of the system at the effective date, or who makes application for membership within 1 year from the effective date, shall be entitled to credit for all previous service for the city or town for whom employed.

Any employee who elects, at the time of initial participation, not to join the system, and does not apply for membership within one year after the effective date, may thereafter be admitted to membership but without credit for service prior to the effective date. Credit for service in such a case would accrue from the effective date upon making appropriate contributions.

An employee becoming a member of the system shall be entitled to credit for all service rendered following the date of membership for which he has made contributions.

A member of the system shall be entitled to credit as service, in any calendar years, for any period of an approved leave of absence without pay, not exceeding one month.

Optional retirement. Any member may retire optionally upon completion of 10 years of service, provided such member shall be at least 58 years of age if a member of the fire department or police department, or age 60 if a member of any other classification.

Compulsory retirement. Any member, except an elective official, shall be retired compulsorily upon attainment of age 70.

Retirement may be deferred after age 70 for periods of one year, upon request of the member, approved by the governing body of the city or town.

Amount of service retirement allowance. The amount of service retirement allowance is 1% of average salary per year of credited service.

Average salary defined. This is the average annual compensation for any five consecutive years when such average was highest.

Ordinary disability benefit. Any member having at least 10 years of service, who is under age 58 if a member of the fire or police departments, or under age 60 if a member of any other classification, who becomes totally and permanently disabled for service, would be entitled to a benefit equal to 1% of average salary, as defined above, for each year of credited service.

Accidental disability. A member becoming totally and permanently disabled for service due to occupational causes, regardless of age or length of service, would be entitled to 66-2/3% of his rate of salary at date of disability.

This benefit is subject to reduction by Workmen's Compensation payments made by the applicable city or town.

Limitations on disability benefits. In the event a member in receipt of ordinary or accidental disability benefits resumes gainful employment of any kind, and his earnings from such employment when added to his disability benefit exceed the rate of salary in effect at date of disability, the disability benefit would be reduced to the extent of such excess.

Accidental death benefit. Upon death of a member due to occupational causes, regardless of his age or length of service, his total contributions would be paid to his estate, or to such person having an insurable interest in his life, as he shall have nominated. In addition, a benefit equal to 50% of salary would be payable to:

- (a) His widow, to continue during widowhood; or

(b) If there be no widow, or if the widow dies or remarries, and minor children under age 18 survive the member, to such children in equal proportions; or

(c) If no eligible widow or eligible minor children exist at the date of death of the member, to the father or mother who was dependent upon the member for support, as the retirement board may determine.

These benefits are subject to reduction by Workmen's Compensation payments made by the city or town.

Death benefits. (a) Upon death of a member occurring while in service, as the result of any cause other than occupational, a benefit would be payable to the person having an insurable interest in the life of the member as he shall have designated, consisting of (1) the contributions of the member, and (2) a payment of \$200.00 for each year of service, subject to a minimum of \$500.00 and a maximum of \$2,000.00. The payment of the minimum amount is subject to prescribed limitations.

(b) Upon death of a retired member, a death benefit is payable to the person designated by the member, or the estate if no designation has been made, equal to the excess of the contributions made by the member over retirement benefit payments made by the system, subject to a minimum payment of five monthly installments of the retirement allowance or \$300.00 whichever is greater.

Refunds - vested rights. A member becoming separated from service other than by death or retirement would be entitled to a refund of his total contributions, thus forfeiting all his accrued credits and interest in the system.

A member having at least 10 years of credited service may leave his contribution credits intact and upon attaining age 58 if a member of the fire or police departments, or age 60 if a member of any other classification, apply for a service retirement allowance of the amount earned and accrued at the date of his separation from service.

Options. Any member, at the time of retirement, may elect to receive a reduced retirement allowance and provide, on an actuarially equated basis, with the remainder of his equity, an allowance to a designated beneficiary, to become payable upon his death while on retirement. If death of the beneficiary occurs before the death of the retired member, no change would be made in the original election and the member would continue thereafter to receive the reduced service retirement allowance.

Financing. Members contribute to the system 4% of their salaries.

Each city or town is obligated for the remainder of the cost of the benefits prescribed by the act, on an actuarially funded basis, including the requirements for prior service and for future service. The amount of contribution is fixed by the retirement board based upon an actuarial valuation of the assets and liabilities of each participating governmental unit.

The expense of administration is assumed by the State of Rhode Island.

The general treasurer is charged with the establishment of the system under the direction and supervision of the board, and the maintenance of the required accounts and statistical records. He is to have custody of all moneys accruing to the system and make the required investments according to the act governing the investment of sinking funds of the State, or in securities or investments in which deposits of savings banks and participation deposits in banks and trust companies may legally be invested.

Certain reserve accounts are established and maintained by the system as prescribed by the Act.

Guarantees. Each participating city or town is liable for its proportionate obligations of the system for the several benefits which it prescribes, related only to its own employees.