

MUNICIPAL  
EMPLOYEES' RETIREMENT SYSTEM

STATE  
OF  
RHODE ISLAND

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SIXTH ANNUAL REPORT  
OF THE  
RETIREMENT BOARD

JUNE 30, 1963

Municipal Employees' Retirement System  
State of Rhode Island

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SIXTH ANNUAL REPORT

of the

RETIREMENT BOARD

June 30, 1963

RETIREMENT BOARD  
(as constituted June 30, 1963)

HON. RAYMOND H. HAWKSLEY, CHAIRMAN  
General Treasurer

G. ALDEN WINTER  
Warwick

HON. FRANCIS P. SMITH  
Chairman, Finance Committee  
The Senate

HON. JOHN V. WRENN  
Chairman, Finance Committee  
House of Representatives

JOSEPH H. O'DONNELL, JR.  
Director of Administration

ANDREW A. DIPRETE  
Director of Business Regulation

WILLIAM P. ROBINSON, JR.  
Commissioner of Education

JAMES E. CONLON  
Sup't. South Kingstown School Department

CHARLES W. HILL  
State Controller

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RALPH P. CINQUEGRANA  
Secretary

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February 28, 1964

To his Excellency  
The Honorable John H. Chasee  
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 SIXTH 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, 1963 and its financial condition at that date.

Respectfully submitted,

Raymond H. Hawksley,  
Chairman

Municipal Employees' Retirement System  
of the State of Rhode Island

Presented herewith is the Sixth 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, 1963.

PARTICIPATION

There were two additions during the year to the number of participating municipalities making a total of eleven participating municipalities as of June 30, 1963. These municipalities and the beginning dates of their participation are:

	<u>Date of Participation</u>		<u>Date of Participation</u>
Barrington	July 1, 1957	Pawtucket	July 1, 1962
Bristol	July 1, 1957	Smithfield	July 1, 1959
East Greenwich	July 1, 1957	South Kingstown	July 1, 1957
East Providence	July 1, 1961	Warren	July 1, 1957
North Kingstown	July 1, 1957	Woonsocket	July 1, 1962
North Providence	July 1, 1961		

The cities of Pawtucket and Woonsocket became participants during the fiscal year under review.

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>	<u>Reserve Requirements</u>
Barrington ✓	116	\$ 457,022	10	\$ 7,595.65	\$ 53,905
Bristol ✓	28	102,792	4	2,156.62	21,933
East Greenwich ✓	27	104,557	4	1,524.76	4,986
East Providence ✓	243	977,356	11	11,095.57	143,687
North Kingston ✓	103	425,856	7	6,825.28	92,321
North Providence ✓	119	311,330	5	3,133.50	30,897
Pawtucket ✓	511	1,816,017	10	8,400.90	78,023
Smithfield ✓	39	123,506	--	--	--
South Kingstown ✓	52	250,100	1	334.94	3,096
Warren ✓	36	140,225	9	8,318.63	72,104
Woonsocket ✓	259	966,198	19	19,051.86	171,033
Totals	1,533	\$5,674,959	80	\$68,437.71	\$671,985

1963 LEGISLATION

At the 1963 regular session of the General Assembly the following substantive changes were made in the retirement law:

1. The rate of service retirement allowance was increased from 1% to 1-2/3% of final compensation per year of service.
2. The ordinary death benefit was increased from \$250 for each completed year of service to \$250 subject to a minimum of \$1,000 instead of \$500 and a maximum of \$5,000 instead of \$2,000.

3. Member contributions were increased from 4% to 6% of salary.

4. Any city or town participating in the system was given the option of not accepting these changes by filing a resolution of the city or town council to that effect within 60 days after the passage of the act.

At June 30, 1963, all of the participating cities and towns were subject to the law as amended except EAST PROVIDENCE, WARREN and WOONSOCKET. These three cities continue to be subject to the provisions of the law in effect prior to these amendments.

#### ANNUAL ACTUARIAL VALUATION

The results of an actuarial valuation of the system as of June 30, 1963 are presented in the report of the actuary forming a part of this annual report.

#### FINANCIAL REVIEW

Total assets of the system at June 30, 1963 amounted to \$1,298,766.80. These assets are applied to certain specific reserves as provided by law. The reserves are subject to periodic check and evaluation to establish their adequacy.

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



Revenues

Member contributions	\$224,058.76
Contributions by Cities and Towns	392,378.93
Investment income	<u>30,757.09</u>
Total	<u>\$647,194.78</u>

Expenditures

Benefits	\$ 67,302.03
Refunds	16,053.02
Other	<u>10.00</u>
Total	<u>\$ 83,365.05</u>

Excess of Revenues over Expenditures transferred to Reserves	<u><u>\$563,829.73</u></u>
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It is noted that investment income comprises about 5% of the total revenues of the system. As the system continues to operate according to the prescribed method of funding its obligations and attains a greater degree of stability, this proportion should increase gradually until it reaches materially higher levels approximating 30% to 35% of total revenues.

The excess of revenue 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, 1963 -

Members' Contributions	\$463,303.34	
Employers' accumulations	101,162.47	
Retirement reserve	<u>734,300.99</u>	\$1,298,766.80

Reserves at June 30, 1962 -

Members' Contributions	\$263,642.03	
Employers' Accumulations	81,926.04	
Retirement Reserve	<u>389,369.00</u>	<u>734,937.07</u>
Increase in Reserves		<u>\$ 563,829.73</u>

INVESTMENTS

Investments at the close of the year totalled \$881,582.72 being an increase for the year of \$153,808.72. The investments consist of the same types of securities as those acquired for the Employees' Retirement System. The rate of return on investments was 3.80% being in excess of the 3-1/2% rate used by the actuary in the valuation of the reserves and liabilities. Any excess interest above the basic rate remains in the system and becomes a part of its reserves to provide for the liabilities on annuities entered upon.

The following is a comparative summary of the investments of the system at June 30, 1963 and at the end of the preceding fiscal year showing the changes in the proportions of the several types of investments in relation to the total at the end of each year.

	<u>June 30, 1963</u>		<u>June 30, 1962</u>	
	<u>Cost or Par</u>	<u>Per Cent of Total</u>	<u>Cost or Par</u>	<u>Per Cent of Total</u>
U.S. Governments	\$198,000.00	22.5%	\$125,000.00	17.2%
Consolidated Federal Farm Loan	20,000.00	2.3	15,000.00	2.1
International Bank	25,000.00	2.8	25,000.00	3.4
State and Municipal	25,000.00	2.8	25,000.00	3.4
Public Utility Bonds and Debentures	235,000.00	26.7	245,000.00	33.7
Other Bonds and Debentures	30,000.00	3.4	30,000.00	4.1
Common Stocks	<u>348,582.72</u>	<u>39.5</u>	<u>262,774.00</u>	<u>36.1</u>
Totals	<u>\$881,582.72</u>	<u>100.0%</u>	<u>\$727,774.00</u>	<u>100.0%</u>

Note 1. Bonds and Debentures listed at par value. Stocks are shown at cost.

Note 2. Excess of market value of stocks over cost at the close of the year was \$54,269.00, equal to 15.6%.

The following statement illustrates the distribution of the stock investments by type of industry showing also their cost and market values:

<u>Type</u>	<u>Number of Shares</u>	<u>Cost</u>	<u>Per Cent of Total</u>	<u>Market Value 6/28/63</u>
Banks and Credit Companies	920	\$ 45,749	13.1%	\$ 60,950
Chemicals	1,013	65,714	18.9	78,702
Electronics	200	15,130	4.3	15,800
Food	100	8,585	2.5	8,200
Insurance	300	19,386	5.6	19,425
Metals	400	27,939	8.0	19,200
Motors	201	8,330	2.4	14,120
Oil	600	29,983	8.6	35,999
Paper	400	15,716	4.5	14,350
Stores	300	11,720	3.4	12,787
Utilities	<u>3,028</u>	<u>100,331</u>	<u>28.7</u>	<u>123,319</u>
Totals	<u>7,462</u>	<u>\$348,583</u>	<u>100.0%</u>	<u>\$402,852</u>

CONCLUSION

The system is gradually broadening its operations. Membership is steadily increasing. The 1963 amendments to the plan of operation have increased both the normal cost and accrued liabilities for eight of the eleven municipalities participating in the system at the close of the year which accepted these liberalizing changes. Three municipalities decided to continue with the old rates of benefit and contribution provisions. Revised

contribution rates have been certified to these eight municipalities providing for the full funding of the normal cost and accrued liabilities according to the new benefit schedule.

The policies of the Board are geared to a standard which gives full effect to the purposes and objectives of the system to the end that its affairs may be managed properly and that it may be administered at maximum efficiency in accordance with the established law.

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

RAYMOND H. HAWKSLEY, Chairman

G. ALDEN WINTER

FRANCIS P. SMITH

JOHN V. WRENN

JOSEPH H. O'DONNELL, JR.

ANDREW A. DIPRETE

WILLIAM P. ROBINSON, JR.

JAMES E. CONLON

CHARLES W. HILL

RALPH P. CINQUEGRANA  
Secretary

REPORT OF THE ACTUARY

A valuation of the assets and liabilities of the Municipal Employees' Retirement System was completed as of June 30, 1963. The results thereof disclose satisfactory progress in operations. The benefits and obligations under the system are financed on a full funded basis. Rates of employee and employer contributions reflect the full actuarial reserve requirements for the prescribed benefit schedule as amended.

A test of the solvency of the Retirement Reserve reflecting the equities of members on retirement indicates a favorable condition. A summary of the several factors pertinent to those on retirement and in receipt of payments is as follows:

	<u>Male</u>	<u>Female</u>
Number on pension roll	67	13
Annual payments	\$56,593.27	\$11,844.44
Average annual payment	\$844.67	\$911.11
Average age	69.4	69.3
Actuarial reserve re- quirements	\$545,447.00	\$126,538.00

The actuarial reserve requirements on account of the foregoing pensioners amounted to \$671,985.00. This compares with the balance in the Retirement Reserve at June 30, 1963 of \$734,300.99. This illustrates the financial solvency of the system in respect to full reserve coverage of retirement allowances entered upon.

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 membership in the system, commonly referred to as "prior service" cost, and (b) the accruing cost for current service otherwise called the "normal cost" 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 cost or current service cost was calculated upon the basis of total membership giving effect to the peculiar characteristics of the service 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 July 1, 1963.

<u>Municipal Code No.</u>	<u>Name of Municipality</u>	<u>Prior Service Contribution Rate</u>	<u>Current Service Rate</u>
01	Barrington	3.20%	6.37%
02	Bristol	2.73	7.52
09	East Greenwich	3.88	5.98
10	East Providence	3.48	4.87
23	North Kingstown	2.34	5.54
24	North Providence	3.83	4.93
26	Pawtucket	4.50	4.55
31	Smithfield	2.33	5.51
32	South Kingstown	1.12	6.09
34	Warren	3.86	5.02
39	Woonsocket	5.18	3.27

In budgeting for the amounts to be contributed to the retirement system for any fiscal year, each municipality should apply the aforesaid rates to the prospective payroll for the year for which the budget is prepared. Thus, sufficient funds will be provided to meet the liability for pension cost to the retirement system on account of the employees who render service during the year in question at the prescribed rates of salary.

The foregoing rates are applicable for fiscal years beginning July 1, 1963.



GENERAL

Operations of the system are being reviewed periodically as a check of the indicated basic trend. This is one of the purposes of the annual 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 such changes generally occasion.

The system is developing satisfactorily. In the case of three municipalities, the reserve accounts reflecting the municipality obligations show deficiencies. This, however, is not a cause for immediate concern. Such condition is not unusual at the inception of coverage. It 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 and in time the deficiencies should be 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, 1963

ASSETS

Cash		\$ 24,805.15
Accounts receivable -		
Municipality contributions		392,378.93
Investments -		
Bonds at par value	\$533,000.00	
Stocks at cost	<u>348,582.72</u>	<u>881,582.72</u>
Total Assets		<u>\$1,298,766.80</u>

RESERVES

Members' Contribution Reserve		\$ 463,303.34
Employers' Accumulation Reserve		101,162.47
Retirement Reserve		<u>734,300.99</u>
Total Reserves		<u>\$1,298,766.80</u>

Statement of Cash Receipts and Disbursements  
Fiscal Year Ended June 30, 1963

Cash Balance July 1, 1962 \$ 7,162.90

Receipts:

Contributions of Members	\$224,058.76	
Income from Investments	32,251.90	
Sale of Investments	<u>45,000.00</u>	
Total Receipts		<u>301,310.66</u>
Total Cash Available		<u><u>\$308,473.56</u></u>

Disbursements:

Service Retirement Allowances	\$ 57,391.30	
Death Benefits - Ordinary	8,577.28	
Death Retirement Allowances	1,333.45	
Investments	198,808.55	
Premiums on Investments	907.35	
Accrued Interest paid	559.88	
Commissions, Postage, Insurance	27.58	
Refunds of Contributions	16,053.02	
Bank Charge	<u>10.00</u>	
Total Disbursements		<u>\$283,668.41</u>
Cash Balance June 30, 1963		<u><u>\$ 24,805.15</u></u>

Statement of Reserve Allocations  
Fiscal Year Ended June 30, 1963

	<u>Members' Reserve</u>	<u>Employers' Reserve</u>	<u>Retirement Reserve</u>
Fund Balance July 1, 1962	\$263,642.03	\$ 81,926.04	\$389,369.00
<u>Revenues:</u>			
Members' Contributions	\$224,058.76		
Municipalities' Con- tributions		\$392,378.93	
Transfers from Members' Reserve			\$ 8,344.43
Transfers from Employers' Reserve			<u>364,565.22</u>
Total Revenues	<u>\$224,058.76</u>	<u>\$392,378.93</u>	<u>\$372,909.65</u>
Total available	<u>\$487,700.79</u>	<u>\$474,304.97</u>	<u>\$762,278.65</u>
<u>Expenditures:</u>			
Bank Charge			\$ 10.00
Refunds of Members' Contributions	\$ 16,053.02		
Benefits Paid:			
Death Retirement Allowances			1,333.45
Monthly Retirement Allowances			57,391.30
Ordinary Death Benefits		\$ 8,577.28	
Transfers to Retirement Reserve	<u>8,344.43</u>	<u>364,565.22</u>	
Total Expenditures	<u>\$ 24,397.45</u>	<u>\$373,142.50</u>	<u>\$ 58,734.75</u>
Fund Balance Before Transfer of Income	\$463,303.34	\$101,162.47	\$703,543.90
Plus: Net Investment Income			<u>30,757.09</u>
Fund Balance June 30, 1963	<u><u>\$463,303.34</u></u>	<u><u>\$101,162.47</u></u>	<u><u>\$734,300.99</u></u>

Statement of Reserve Allocations

Fiscal Year Ended June 30, 1963

(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	\$ 76,415.19	\$ 72,406.62	
Bristol	29,726.69	34,756.06	
East Greenwich	24,548.73	29,735.25	
East Providence	71,741.67	15,952.91	
North Kingstown	63,059.16	26,408.93*	
North Providence	22,048.92	8,346.94	
Pawtucket	66,174.83	18,394.07	
Smithfield	20,018.99	24,164.90	
South Kingstown	29,944.45	46,047.36	
Warren	23,663.83	4,542.52*	
Woonsocket	<u>35,960.88</u>	<u>117,690.19*</u>	
Totals	<u>\$463,303.34</u>	<u>\$101,162.47</u>	<u>\$734,300.99</u>

\*Denotes deficit. This is a temporary deficiency which will in all probability be removed with further experience of the system. It is due principally to the retirement of aged employees at the inception of coverage.

Summary of Investments

<u>Type</u>	<u>Par Value (or Cost)</u>	<u>Per Cent of Total at June 30, 1963</u>	<u>Per Cent of Total at June 30, 1962</u>
U. S. Government	\$198,000.00	22.5%	17.2%
Consolidated Federal Farm Loan	20,000.00	2.3	2.1
International Bank	25,000.00	2.8	3.4
State and Municipal	25,000.00	2.8	3.4
Public Utility Bonds and Debentures	235,000.00	26.7	33.7
Other Bonds and Debentures	30,000.00	3.4	4.1
Common Stocks	<u>348,582.72</u>	<u>39.5</u>	<u>36.1</u>
Totals	<u><u>\$881,582.72</u></u>	<u><u>100.0%</u></u>	<u><u>100.0%</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  
(as constituted June 30, 1963)<sup>1/</sup>

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 departments, 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.

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<sup>1/</sup> See the end of the summary for a description of amendments effective July 1, 1963.

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 year, 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.

Guarantee. 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.

1963 amendments. Effective July 1, 1963, as the result of legislation enacted at the January 1963 session of the General Assembly, the following major changes occurred in the retirement plan: (a) the rate of service retirement annuity was increased from 1% to 1-2/3% of final average salary; (b) the ordinary death benefit was revised to provide an increment of \$250.00 per year of service instead of \$200.00 per year of service, with a minimum benefit of \$1,000.00 instead of \$500.00, and a maximum benefit of \$5,000.00 instead of \$2,000.00; and (c) the rate of contribution on the part of the members was increased from 1/4% to 6% of salary.

The acceptance of these changes was made optional on the part of the cities and towns participating in the system by the provision that any participating city may elect not to be subject to the new provisions and the increase in costs by affirmative action to that effect by a resolution of the city or town council. Any city electing not to be subject to the amendatory legislation would continue to be

governed by the provisions of the law in effect prior to July 1, 1963. Any city or town not electing to exclude itself from the application of these amendments became subject to increased contributions to finance the benefit schedule over and above the contributions by the employees.